

**THE LIBRARY OF CONGRESS  
CONSOLIDATED FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 1998**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INTRODUCTION**

The Management's Discussion and Analysis (MDA) is designed to provide a high level overview of the Library -- in short, it provides a description of who we are, what we do, and how we accomplished our mission during fiscal year 1998.

**THE LIBRARY OF CONGRESS AND ITS MISSION**

The Library of Congress, an agency in the Legislative branch of the government, is the world's largest and most comprehensive library maintaining a collection of over 115 million items -- many of them unique and irreplaceable -- in more than 450 languages. It directly serves not only the Congress but the entire nation with the most important commodity of our time: **information.**

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.

**STRATEGIC PLAN AND PRIORITIES**

The Library's challenge, under its 1997-2004 strategic plan, is to sustain past gains while becoming a more efficient and effective operation. The Library has a proven record of making knowledge and information accessible to users everywhere -- evidenced by the exponential rate of growth in the Library's Internet transactions and the wide public acclaim of its website.

The Library's critical role as a trusted **knowledge navigator** for the Congress and the nation is made more important than ever by the growing flood of unsorted information available today. The Library's vision for the 21st century is to "lead the nation in ensuring access to knowledge and information and in promoting its creative use for the Congress and its constituents." The strategic plan maps the changes that will ensure that the Library -- the research and information arm of the national legislature and the world's foremost storehouse of knowledge -- continues its worthy tradition of collecting, preserving, sharing, and fostering creativity and learning in support of the Congress, the public and the democratic ideal. Open access is the basic principle of our public library system -- and is more important than ever in helping prevent a division between information "haves" and "have-nots" in the electronic age. The Congress,

through its library, is ensuring that the tools of learning -- and of learning about America -- will be universally accessible in the next millennium.

The Library's strategic plan priorities are:

1. to make knowledge and creativity available to the United States Congress;
2. to acquire, organize, preserve, secure, and sustain for the present and future of the Congress and the nation a comprehensive record of American history and creativity and a universal collection of human knowledge;
3. to make its collections maximally accessible to the Congress, the U. S. Government, and the public; and
4. to add interpretive and educational value to the basic resources of the Library.

## **BRIEF HISTORY**

The Library of Congress is a living monument to the remarkable wisdom of the Founding Fathers who saw access to an ever-expanding body of knowledge as essential to a dynamic democracy. The Library's three buildings are named for Thomas Jefferson, John Adams, and James Madison. With the support of these Presidents, the Congress established the Library in 1800 as soon as it moved to the new capital city of Washington and established the Joint Committee on the Library as the first Joint Committee of the Congress in 1802.

Jefferson, in particular, took a keen interest in the new institution. After the British burned the Capitol and the Library during the War of 1812, Congress accepted Jefferson's offer to "recommence" the Library and purchase his multi-lingual 6,487-volume collection (then the finest in America) at a price of \$23,950. It contained volumes in many languages on everything from architecture to geography and the sciences. Anticipating the argument that his collection might seem too wide-ranging for Congress, Jefferson said that there was "no subject to which a Member of Congress might not have occasion to refer."

Jefferson's ideals of a "universal" collection and of sharing knowledge as widely as possible still guide the Library. With Congressional blessing and support, the Library has grown to serve the Congress and the nation more broadly in ways that no other library has ever done -- largely as a result of four milestone laws: (1) the copyright law of 1870, which 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; (2) the 1886 authorization of the first separate Library of Congress building that contained openly accessible reading rooms and exhibition space for the general public; (3) the 1902 law that authorized the Library to sell its cataloging records inexpensively to the nation's libraries and thus massively help to subsidize the entire American library system; and (4) the law in 1931 that established the program in the Library to create and supply free library materials to blind and physically handicapped readers throughout

the country. Congress thus established the basis both for the continued growth of the collections and for the extension of the Library's services to citizens everywhere.

In 1914, Congress created the Legislative Reference Service (LRS) as a separate entity within the Library of Congress to provide specialized services to "Congress and committees and Members thereof." In 1946, the Congress granted LRS further statutory status within the Library and directed it to employ specialists to cover broad subject areas. Congress renamed the LRS the Congressional Research Service (CRS) in 1970 and enhanced its analytical capabilities by defining its policy role for the Congress and emphasizing research support to the committees of Congress.

More recently, a series of Congressional statutes have created within the Library of Congress the American Folklife Center (1976), the American Television and Radio Archives (1976), the National Center for the Book (1977), the National Film Preservation Board (1988), and the National Film Preservation Foundation (1996) -- further extending the Library of Congress' national role.

### **THE LIBRARY OF CONGRESS TODAY**

The core of the Library is its incomparable collections -- and the specialists who interpret and share them. The Library's 115 million items cover more than 530 miles of shelf space and include almost all media through which knowledge and creativity are preserved and communicated.

The Library has more than 27 million volumes, including 5,700 volumes printed before the year 1500; 12 million photographs; 4 million maps, old and new; 2 million audio recordings; 800,000 motion pictures, including the earliest movies ever made; 4 million pieces of music; 50 million pages of personal papers and manuscripts, including those of 23 Presidents of the United States as well as hundreds of thousands of scientific and government documents.

New treasures are added each year. Recent acquisitions, to name a few, include: papers of Supreme Court Justice **Ruth Bader Ginsburg** covering her career before appointment to the Court; an addition of 2,000 items to the papers of Supreme Court Justice **William J. Brennan**; a collection of 500,000 items of **Pamela Harriman**, diplomat and political figure; the **Martha Graham Archives**, documenting the contribution of this pioneer in American dance; 32,000 papers of poet **Edna St. Vincent Millay**; additional organizational papers to collections already at the Library of the **National Urban League** and **NAACP National and Washington Bureau**; a large addition to the papers of architect **I.M. Pei**; sixty drawings of **Pat Oliphant**, the political cartoonist; text, images, and audio files representing a full "snapshot" of the public World Wide Web (some 500,000 Websites) donated by **Brewster Kahle**, President and Founder of Alexa Internet; three rare portraits of Georgia O'Keeffe by master photographer **Alfred Stieglitz**; and a **Map of Philadelphia** from 1752 with the first illustration of Independence Hall.

Every workday the Library's staff adds approximately 10,000 new items to the collections, after organizing and cataloging them, and finds ways to share them with the Congress and the nation -- through on-line access across the nation, through in-person access in the Library's reading rooms, and through cultural programs that feature the Library's collections and reach across the country.

Major annual services include delivering **more than 530,000** congressional research responses and services, registering **more than 558,000** copyright claims, cataloging **nearly 300,000** books and serials, and circulating **more than 22 million** audio and braille books and magazines to blind and physically handicapped individuals all across America. The Library also provides free on-line access, via the Internet, to its automated information files, which contain **more than 75 million** records -- to Congressional offices, Federal agencies, libraries, and the public.

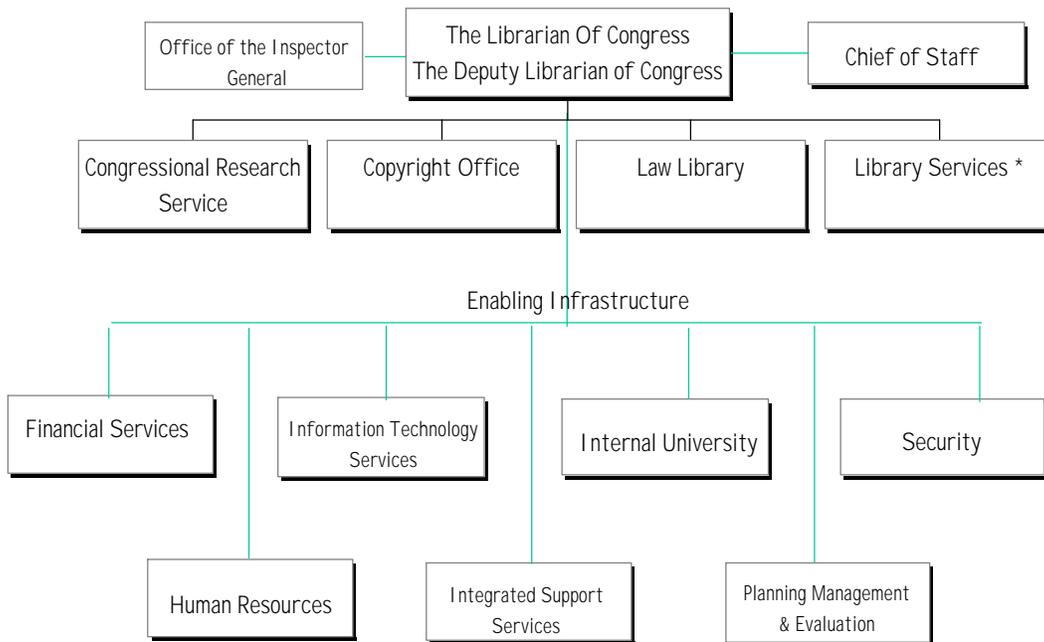
The Librarian of Congress, appointed by the President with the advice and consent of the Senate, directs the Library. The Deputy Librarian of Congress is the Chief Operating Officer who manages the day-to-day operations through four service units and an enabling infrastructure (see organizational chart).

The Library has seven programs:

- ! Library Services
- ! Law Library
- ! Copyright Office
- ! Congressional Research Service
- ! National Library Service for the Blind and Physically Handicapped
- ! Reimbursable Funds
- ! Revolving Funds

The Library's seven programs are funded by four salaries and expenses (S&E) appropriations, a furniture and furnishings appropriation, gifts, reimbursements, and fees from products and services.

# Library of Congress



\* Includes National Library Services for the Blind and Physically Handicapped

## OVERVIEW OF FINANCIAL STATEMENTS

For fiscal 1998, the Library has prepared a Consolidated Balance Sheet, Consolidated Statement of Net Costs, Consolidated Statement of Changes in Net Position, and a Combined Statement of Budgetary Resources (see Section 2).

### Consolidated Balance Sheet

The purpose of the consolidated balance sheet is to provide financial statement users with information about the Library's assets, liabilities, and net position as of September 30, 1998. In accordance with governmental accounting standards, the value of the Library's collections (our largest asset) is not calculated and reported as a monetary asset. Instead, the Library prepares a Stewardship report (see Section 4), which describes the collections and provides relevant information about their use, preservation, security, etc. The Library's Net Position consists of: (1) the portion of the Library's appropriations that are unexpended; (2) the cumulative balances of gift, trust, reimbursable and revolving funds; and (3) the cumulative amount of prior period adjustments.

<b>Assets</b>		<b>Liabilities and Net Position</b>	
Entity Assets	\$ 293,179,862	Liabilities Covered by Budgetary Resources	\$ 775,226,434
Non-Entity Assets	704,919,749	Liabilities Not Covered by Budgetary Resources	33,225,207
		Net Position	189,647,970
<b>Total Assets</b>	<b>\$ 998,099,611</b>	<b>Total Liabilities and Net Position</b>	<b>\$ 998,099,611</b>

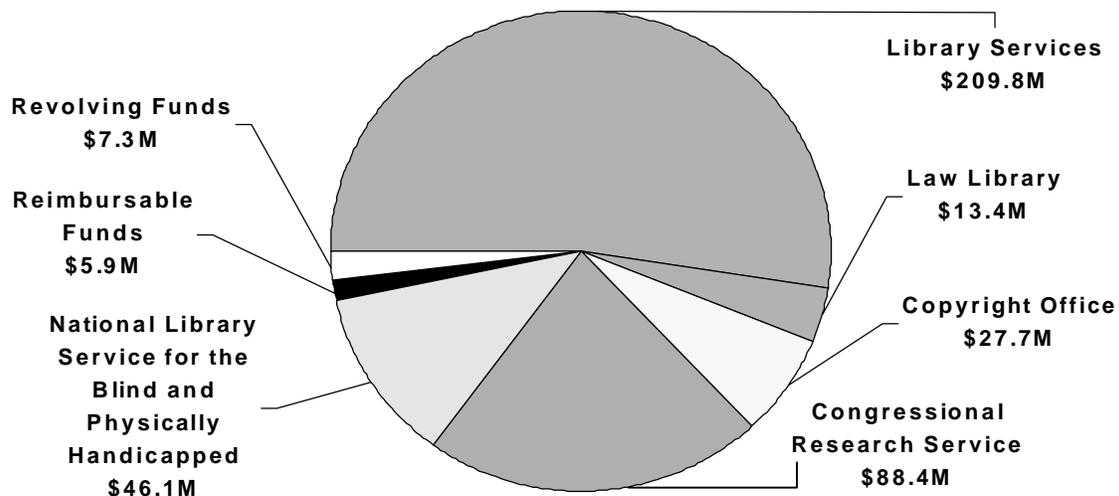
The Library's assets total nearly one billion dollars. Entity assets increased by \$21.2 million during fiscal 1998 primarily as a result of additional donations and pledges to the Library's gift and trust funds. Non-entity assets (i.e., funds held and invested for future distribution to copyright owners) comprise 71 percent of all assets and total \$704.9 million. Non-entity (custodial) assets decreased by \$23.9 million during fiscal 1998 because copyright owners have received multiple prior year royalty distributions in excess of the current year royalty receipts. The Library is authorized to invest the royalty funds in U.S. Treasury securities until the funds are distributed.

The Library's liabilities total \$808.5 million with custodial and deposit account activities (e.g., funds held for future distribution to copyright owners) as the major item. Other large liabilities include funds advanced from other governmental agencies for the FEDLINK program and accounts payable for various operating expenses. The accompanying Balance Sheet does 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 Statement of Net Costs

The purpose of the Consolidated Statement of Net Costs is to provide financial statement users with information about the costs and earned revenues for the Library's seven programs for the fiscal year ended September 30, 1998. In other words, the statement presents the net costs of our programs -- \$398.6 million. The net costs for each of the Library's seven programs are:

## The Library of Congress Consolidated Statement of Net Costs For the Year Ended September 30, 1998 -- \$398.6 Million



Library Services - With net program costs of \$209.8 million, Library Services is the Library's largest program and is responsible for traditional library activities of acquisitions, cataloging, research and reference, and preservation. Specifically, Library Services provides the following major services:

- ▶ **Acquisitions** - Library Services acquired 3.4 million items in fiscal year 1998 from purchases, gifts, exchanges, and transfers from other federal agencies.

- ▶ **Cataloging** - Library Services produces bibliographic records and related products for libraries and bibliographic utilities in all 50 states and territories -- cataloging that saves America's libraries in excess of \$268 million annually (the money it would cost them if they had to catalog the books and other materials themselves).
- ▶ **Research and Reference** - Library Services makes available to scholars and other researchers vast information resources, many of which are unique, covering almost all formats, subjects, and languages -- each year serving more than 500,000 readers in the 20 reading rooms in Washington open to the public and responding to nearly one million information requests a year from all over the nation. In addition, Library Services responds to more than 50,000 free interlibrary loan requests from every state in the nation and to more than 30,000 requests for book loans from the Congress each year.
- ▶ **On-line Services** - The Library provides free, on-line access, via Internet, to its automated information files which contain more than 75 million records -- to Congressional offices, Federal agencies, libraries, and the public. Internet-based systems include three world-wide-web (WWW) services (THOMAS, LC-Web, and CRS-web), the Library of Congress Information System (LOCIS), and various file transfer options. These Internet-based systems now record more than 60 million transactions a month.
- ▶ **American Creativity** - Library Services manages the nation's largest, most varied, and most important archival collections -- motion pictures, sound recordings, maps, prints, photographs, manuscripts, music, and folklore -- covering a wide range of ethnic and geographic communities; provides reference assistance to researchers and the general public; conducts field research and promotes the preservation of American culture throughout the United States.
- ▶ **Preservation** - Library Services develops and manages a program to preserve the diverse materials and formats in the Library's collections. The program provides a full range of prospective and retrospective preservation treatment for approximately 400,000 items a year; conducts research into new technologies; emphasizes prevention 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 and Outreach** - The Library promotes books, reading, and literacy through the Library's Center for the Book and its 35 affiliated State Centers for the Book and more than 50 national organizational partners and encourages knowledge and use of its collections through other outreach programs (cable TV programs, lectures, publications, conferences and symposia, exhibitions, poetry readings -- all primarily supported by private funding) and through use of the Library's home page on the WWW. The Library also gives some 75,000 surplus books annually to qualified libraries and non-profit educational institutions through its nation-wide donation program.

Law Library - The Law Library of Congress, with net program costs of \$13.4 million, supplies legal research covering more than 200 foreign jurisdictions to Congress, the Judiciary, Federal agencies, and the public -- serving 100,000 users annually.

Copyright Office - The Copyright Office, with net program costs of \$27.7 million, administers the U.S. copyright laws, provides copyright expertise to the Congress and executive branch agencies, and promotes international protection for intellectual property. The office annually processes more than 640,000 claims (representing more than 760,000 works transferred to the Library) of which 550,000 claims are registered for copyright. The Office also responds annually to more than 395,000 requests for information. The Copyright Office convenes and supports Copyright Arbitration Royalty Panels (CARPs) for the purpose of: (a) distributing hundreds of millions of dollars in royalties that are collected under various compulsory license provisions of the copyright law and (b) adjusting the royalty rates of these license provisions. A significant part of the Copyright Office is funded either by registration fees or authorized deductions from royalty receipts. Copies of works received through the copyright system form the core of the Library's immense Americana collections, which provide the mint record of American creativity.

Congressional Research Service - The Congressional Research Service, with net program costs of \$88.4 million, provides non-partisan analytical research and information to all Members and committees of the Congress. CRS works directly and exclusively for the Congress in support of its legislative and oversight functions. By maintaining a cost-effective, shared pool of expertise, CRS provides timely and balanced analyses of legislative proposals and public policy issues through provision of reports, tailored confidential memoranda, individual consultations and briefings -- a comprehensive source of information and analysis on almost any legislatively relevant subject. CRS delivers more than 530,000 research responses and services annually; of these, approximately 138,000 are responses to requests for tailored analyses, information and research.

National Library Service for the Blind and Physically Handicapped (NLS/BPH) - The NLS/BPH, which is part of Library Services, manages a free national reading program for blind and physically handicapped people -- circulating at no cost to users approximately 22.5 million items a year. This program consists of three segments:

1. The Library of Congress selects and produces full-length books and magazines in braille and on recorded disc and cassette and contracts for the production of talking book machines. The NLS/BPH's fiscal 1998 net program costs for this segment were \$46.1 million.
2. A cooperating network of over 140 regional and subregional (local) libraries 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. Reading materials (books and magazines) and playback machines are sent to a total estimated readership of 782,000 comprised of 565,000 audio and braille readers registered individually, in addition to an estimated 217,000 eligible individuals located in 36,000 institutions.

Reimbursable Funds - The net program costs for the Library's Reimbursable Funds are nearly zero (when intra-Library net revenues of \$4.3 million are included and adjustments of \$1.5 million are excluded) because of the Library's goal of full cost recovery. Two major reimbursable programs make up the major portion of the reimbursable revenues: the Federal Library and Information Network (FEDLINK) and the Federal Research Division (FRD). The Library also provides accounting services for four Legislative agencies under cross-servicing agreements (i.e., the Congressional Budget Office, the Office of Compliance, the John C. Stennis Center, and the Capitol Preservation Commission).

- ▶ **Federal Library Services** - The Library coordinates services and programs on behalf of all Federal libraries and information centers, providing education and training programs and administering a cost-effective book, serial, and technical processing and database procurement program for approximately 1,300 Federal offices. This procurement program saves Federal agencies an estimated \$5 million annually in contract cost avoidance benefits and \$12 million more in products and services discounts. In fiscal 1998, FEDLINK revenues of \$55.6 million consist of \$51.1 million for payment of member services and \$4.5 million for administrative costs.
- ▶ **Federal Research Division (FRD)** - The Federal Research Division provides customized research services that the Library is uniquely able to perform as a result of its collections and subject and language expertise of its staff. A popular FRD product, available on-line via the Library's World Wide Web (WWW) homepage, is the country study series of books.

Revolving Funds - Under the authority of 2 U.S.C. 160, the Library of Congress operates eleven gift revolving fund activities to provide, in various formats, duplication and preservation services, exhibits and other special programs, and retail marketing, to other Government agencies, libraries, other institutions, and the general public. Under the authority of 2 U.S.C. 182, the Library operates a Cooperative Acquisitions Program revolving fund under which the Library acquires foreign publications and research materials on behalf of participating institutions on a cost-recovery basis. Through these activities, the Library is able to further its programs dealing with the acquisition of library materials, reader and reference services, and support for public programs.

Although the revolving gift funds were created by gifts which donors designated to be used for self-sustaining activities, the General Accounting Office (GAO) believes that the Library has exceeded its authority by operating revolving funds with gift monies which generate revenues exceeding the original gifts. Therefore, as recommended by GAO, the Library has requested

specific statutory authority to operate the gift revolving funds. The revolving fund legislation has been submitted to the Congress annually since 1991.

After reflecting earned revenue of \$6.0 million, revolving fund net program costs totaled \$7.3 million. The net program costs were primarily the result of the elimination of \$3.0 million of intra-Library net revenues, \$3.3 million in administrative overhead, and \$1.4 million in imputed inter-governmental costs (e.g., employee benefits) not recovered by fees charged by the revolving funds. The major funds are: Photoduplication Service, Cooperative Acquisitions, Recording Laboratory, and the Constance Green Fund.

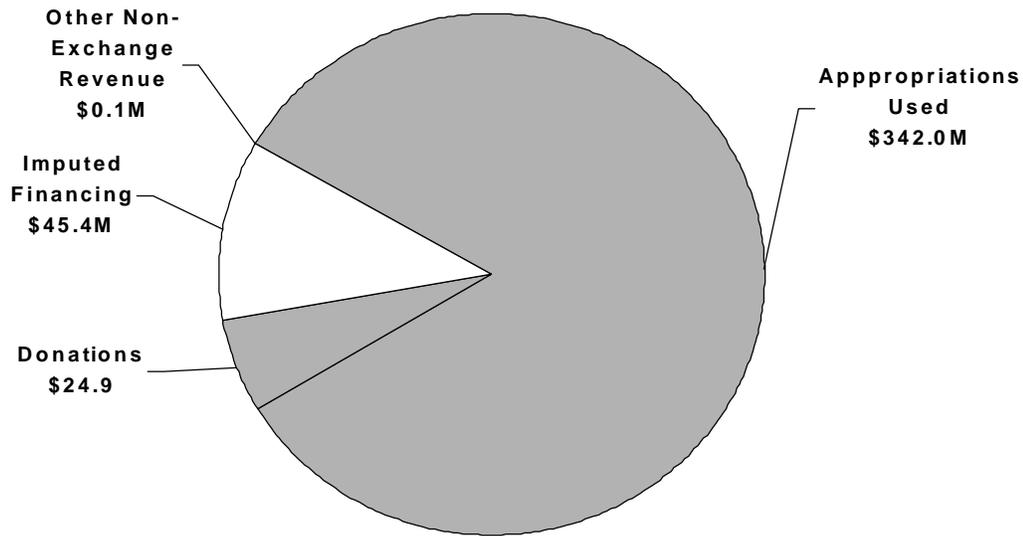
- ▶ **Photoduplication Service** - The Photoduplication Service provides preservation microfilming services for the Library's collections and reprographic services to other libraries, research institutions, government agencies, and individuals in the United States and abroad. Earned revenues were \$5.7 million in fiscal year 1998 and intra-Library transactions of \$3.2 million were eliminated during consolidation.
- ▶ **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 institutions on a cost-recovery basis. Earned revenues were \$1.5 million in fiscal year 1998.
- ▶ **Recording Laboratory** - The Recording Laboratory provides preservation services for the Library's collections and audio and video duplication services for the general public. Audio and video products are also produced for sale to the general public. Earned revenues for fiscal year 1998 were \$350,000 of which \$180,287 was for intra-Library transactions which were eliminated in the consolidated statements.
- ▶ **Constance Green Fund** - The Constance Green Fund supports the Library's retail marketing sales shop activities. Earned revenues were for fiscal year 1998 were \$1.7 million, of which \$42,992 were eliminated in the consolidated statements.

### **Consolidated Statement of Changes in Net Position**

The purpose of the Consolidated Statement 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 \$413.9 million for the year ended September 30, 1998.

# The Library of Congress

## Consolidated Statement of Changes in Net Position Financing Sources (Other than Exchange Revenue) For the Year Ended September 30, 1998 -- \$412.4 Million



The major source of the Library's funding is from Congressional appropriations for five 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 year ended September 30, 1998, totaled \$342.0 million or 82.6 percent of all financing. In addition to appropriations made directly to the Library, other government agencies (i.e., the Architect of the Capitol, the Office of Personnel Management, Government Printing Office) used Congressional appropriations and other financing sources to provide support for the Library's programs totaling an estimated \$45.4 million (imputed financing). The support provided included structural care and maintenance of the Library's buildings and grounds (\$24.2 million), employee benefits (\$20.7 million), and acquisitions exchange services (\$.5 million).

During fiscal year 1998, the Library also received more than 1,100 private gifts to 90 different gift and trust funds that support a variety of new and continuing programs. Major donations include: \$12.6 million for the National Digital Library Program; \$3.7 million to establish *The Bob Hope Trust Fund* in support of the Bob Hope Pavilion of American Entertainment; and \$1.5 million for the James Madison Council Trust Fund. The Library earned \$24.9 million of gift and trust funds in support of the Library's programs during fiscal year 1998.

The Library's net position increased by \$14 million during fiscal year 1998 primarily because of an increase in the amount of gift and trust funds and a significantly greater increase of earned revenue as compared to the increase in program costs.

## **Combined Statement of Budgetary Resources**

The Combined Statement 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 budgetary resources at the end of the period. Finally the Outlays section presents the total outlays of the Library and reconciles obligations incurred to total outlays.

The Library's budgetary resources were \$1.5 billion, of which approximately one-third (\$530 million) were entity funds and the other two-thirds (\$978 million) were non-entity funds. Total outlays of \$357 million were primarily incurred with entity funds (\$332 million), with the remaining being incurred with non-entity funds (\$25 million).

### **KEY PERFORMANCE MEASURES**

Since 1994, the Library's collections have increased from 107.8 million to 115.5 million -- an increase of 7.7 million or 7.1 percent. Over the same five-year period, the full-time equivalent (FTE) staff paid by appropriated funds has decreased from 4,163 to 3,958 -- a decrease of 205 FTE's or 4.9 percent. The annual quantity of print materials cataloged decreased slightly from 279,809 in 1994 to 274,890 in 1998, and the arrearage of unprocessed materials declined by 6.3 million items. The Library's Internet transactions have grown dramatically from 38.4 million in fiscal 1994 to 615.1 million in fiscal 1998. Internet-based systems include three world-wide-web services (THOMAS, LC-Web, and CRS-Web), the Library of Congress Information System (LOCIS), and various file transfer options. These Internet-based systems now record some three million transactions daily. This rapid growth will almost certainly continue to increase because the Library has begun to put online American history collections as the core of a National Digital Library. This program seeks to make millions of items from the Library's unique collections as well as other institutions locally available in electronic form throughout the country by the year 2000.

THE LIBRARY OF CONGRESS							
COMPARISON OF APPROPRIATIONS, STAFF, AND WORKLOAD STATISTICS							
For the Fiscal years 1994, 1995, 1996, 1997, and 1998							
	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	CHANGE 1994 - 1998	% CHANGE
<b>LIBRARY APPROPRIATIONS - ACTUAL</b>	\$330,864,000	\$348,230,000	\$352,399,000	\$361,896,000	\$377,207,000	\$46,343,000	14.0%
<b>FULL-TIME EQUIVALENT (FTE) POSITIONS (Appropriated)</b>	4,163	4,180	4,114	4,010	3,958	-205	-4.9%
<b>SIZE OF LIBRARY COLLECTIONS</b>	107,814,587	108,433,370	111,080,666	113,026,742	115,505,695	7,691,108	7.1%
<b>WORKLOAD STATISTICS:</b>							
Unprocessed Library Arrearages	25,431,296	22,491,071	20,970,523	19,952,205	19,090,657	-6,340,639	-24.9%
CRS - Requests & Services Provided Congress	536,000	492,000	487,000	531,162	560,423	24,423	4.6%
Loans of Collections to Congress	43,465	36,368	31,026	30,708	30,614	-12,851	-29.6%
Copyright Claims Registered	530,332	609,195	550,422	569,226	558,645	28,313	5.3%
Copyright Inquiries	402,163	500,746	432,397	421,150	395,456	-6,707	-1.7%
Services to the Blind & Physically Handicapped (BPH) - Readership	777,300	772,100	776,000	764,800	769,000	-8,300	-1.1%
BPH - Books & Magazines; Total Circulated	22,586,000	22,909,400	22,908,900	22,437,900	22,500,000	-86,000	-0.4%
BPH - New Braille & Audio Books & Magazines Titles	2,327	2,328	2,568	2,691	2,755	428	18.4%
Print Materials Cataloged	279,809	276,348	289,509	289,154	274,890	-4,919	-1.8%
National Coordinated Cataloging Operation (NACO) - LC Contribution	114,333	124,911	115,714	118,054	186,515	72,182	63.1%
National Coordinated Cataloging Operation - Outside Contribution	78,176	96,655	106,182	146,858	173,721	95,545	122.2%
Exhibits, Displays, & Publications (Funded by Appropriations)	31	27	15	14	14	-17	-54.8%
Regular Tours	29,952	47,300	47,847	56,716	73,400	43,448	145.1%
Reference Service	1,198,358	1,145,757	1,129,952	1,094,588	1,101,717	-96,641	-8.1%
Main Reading Room & Five Other Reading Rooms Hours Per Week	65	65	65	65	65	0	0.0%
Items Circulated	2,403,002	2,289,981	2,175,075	2,070,798	2,105,278	-297,724	-12.4%
Preservation Treatment - Original Format	288,111	339,636	274,086	309,597	354,027	65,916	22.9%
Mainframe Computer Transactions	152,095,306	197,216,679	204,297,492	247,691,844	270,259,005	118,163,699	77.7%
Machine Readable Cataloging (MARC) Records	25,090,965	26,100,661	26,320,667	27,519,078	28,093,497	3,002,532	12.0%
Internet Transactions (i.e., LOCIS, MARVEL, WORLD-WIDE-WEB, and THOMAS public transactions)	38,422,986	92,873,807	134,416,660	345,221,229	615,149,938	576,726,952	1501.0%

Other noteworthy workloads include the following:

- ▶ The number of Congressional requests and services annually provided by the Congressional Research Service (CRS) increased from some 536,000 in 1994 to 560,000 in 1998.
- ▶ The annual number of registrations in the Copyright Office increased by 28,313 from some 530,000 in 1994 to 558,000 in 1998, and the number of copyright inquiries answered decreased by 24,503 from 1997 to 1998.
- ▶ The number of information requests handled by reference staff decreased from 1.2 million in 1994 to 1.1 million in 1998, which parallels the increase in Internet usage.
- ▶ The number of free reading materials delivered across the country each year to the blind and physically handicapped remained relatively stable at 22.5 million in 1998.

## MAJOR ACCOMPLISHMENTS IN FISCAL YEAR 1998

During fiscal year 1998, the Library provided objective, timely, nonpartisan, and confidential legislative support to the Congress on a wide range of issues; improved services to the Congress and the nation through technology including dramatic increases in Internet usage and the receipt of many Internet awards; reduced our uncataloged backlog by another 861,000 items; received an unqualified "clean" audit opinion on the Library's fiscal 1997 consolidated financial statements; and improved the Library's physical and collections security. Highlights of these and other major achievements are listed below:

- ▶ **Strategic Plan (1997 - 2004)** - The Library's 1997-2004 Strategic Plan identifies the mission, priorities, values, and objectives to take the Library into the 21st century (see attachment 1). Building on the plan, the Planning, Management and Evaluation Directorate (PMED) linked the plan's objectives to the budget during fiscal year 1998 by defining core processes and developing an annual program performance planning process. PMED also began to incorporate strategic planning training into Library operations. Continued integration of planning and budgeting processes will enable the Library to effect efficient management of resources. Many of the accomplishments listed in this section reflect progress in achieving Strategic Plan objectives.
- ▶ **CRS Legislative Support to Congress** - CRS assisted the Congress in dealing with the full range of its domestic and international concerns. Among the domestic issues addressed by the Congress in fiscal year 1998 were banking and finance, campaign finance reform, clean air, congressional legal concerns, education, and patient protection legislation. In the international sphere, the Congress dealt with defense policy and budget, foreign policy and regional issues, and global financial crises and the international financial system.
- ▶ **Copyright Office Legislative Support to Congress** - The Congress passed several major pieces of copyright legislation during fiscal year 1998 and at the start of fiscal year 1999, including the Digital Millennium Copyright Act (DMCA). Pursuant to its long-standing role as an expert advisor to the Congress and the Administration on policy and international matters (a role expressly recognized in the DMCA), the Copyright Office provided policy advice and technical assistance to the Congress on enacted legislation, as well as other important copyright legislation considered by the House and Senate.
- ▶ **Providing Better Services to the Congress and the Nation through Technology** - The Library continues to improve its cataloging, copyright, research, management, and delivery systems through the development and use of technology-based systems, services, and products that improve the ability to serve the Congress and the nation more efficiently and effectively. The Library has received numerous awards for providing access to the content of the collections. Specific achievements during fiscal year 1998 include:
  - ◆ **Development of a Legislative Information Retrieval System (LIS)**. Working with the Committee on House Oversight, the Senate Committee on Rules and Administration, in consultation with the House and Senate Subcommittees on

Legislative Branch Appropriations, the Library and CRS developed a plan for a single integrated legislative information retrieval system to serve the Congress. The Library and CRS updated the LIS plan and briefed Congressional staff on scheduled development work for 1998. Since the initial delivery of the Library's portion of the LIS, the Library has collaborated with House and Senate staffs to determine the most useful new search features and new content to add to the LIS. The House decided to retire its legacy system in 1999 and to rely on LIS for its legislative information. To ease the transition, the LIS was enhanced with more traditional search features familiar to legacy system users. Joint planning for data exchange among the House, Senate and Library occurred throughout fiscal year 1998, and decisions on compatible technologies were made to ensure that information would flow smoothly from all Legislative Branch agencies into the LIS. Two major development efforts begun in fiscal year 1998 and scheduled for completion by the start of the 106<sup>th</sup> Congress are: (1) enhanced retrieval features for CRS's Bill Summary information, Issue Briefs, and CRS Reports and (2) the integration of Executive Communications and CRS Products into the LIS, which will replace and retire the mainframe counterparts of these files. In addition, the underlying search engine was kept current by conversion to the latest release, as well as enhancement of search capabilities specifically designed for the LIS. The LIS also added more links to House and Senate information, increasing its prominence as the central point for locating legislative information.

- ◆ **Electronic Briefing Books.** CRS created three new prototype electronic briefing books on the CRS Home Page highlighting issues on the congressional agenda — electric utilities, global climate control, and tobacco — which offer instant, comprehensive access to information, analysis, key documents, and historical perspectives on legislative issues before the Congress. Interactive electronic formats enable users to customize their online research. All briefing books include common elements (such as CRS products and experts and links to related issues and web sites), but each is individually designed in the best way to present its subject. New information is added as major legislative or regulatory action occurs. CRS plans to offer a broader range of briefing books in the future and continues to explore new presentation formats.
- ◆ **Thomas Internet System.** Since January 5, 1995, **THOMAS**, a world wide web (WWW) based Internet resource, has provided searching and access to legislative information and links to other legislative Internet resources. During fiscal year 1998, the amount of legislative information in THOMAS doubled through the addition of earlier files to provide continuous coverage from the 101<sup>st</sup> through the 105<sup>th</sup> Congress for Congressional Record and Text Legislation, and from the 103<sup>rd</sup> through the 105<sup>th</sup> Congress for Committee Reports. Searching features in THOMAS were enhanced through a new release, which permits more accurate searching of Member names in the Congressional Record and provides a list of words in the database to confirm search terms and highlighting of search terms found in the text of Committee Reports. For the first time, the Congressional Record results could be downloaded, and the download feature

for Bills was improved. In the News feature, the new "Congress" entry helped patrons look up legislation by the popular title heard in the media, and the new Medicare Commission website was developed and hosted by THOMAS in early 1998. Public email to THOMAS continued to be handled in a timely manner, and THOMAS continued to receive many messages thanking the Library for this service, especially from the new users who discovered THOMAS when searching the Starr Report. At the request of the Congress, the Report of the Independent Counsel was mounted on THOMAS in mid-September, followed by two subsequent releases of testimony. The average 9.3 million monthly transaction volume for THOMAS increased to 19 million for the month of September. As of September 30, 1998, more than 220 million transactions had been processed by THOMAS since its inception in January 1995; more than half of these transactions occurred in fiscal 1998.

- ◆ **Global Legal Information Network (GLIN).** GLIN is a cooperative international network in which nations are contributing the full, authentic text of statutes and regulations to a database hosted by the Law Library of Congress. The Library put into production a new release of GLIN in March 1998 with expanded search capabilities and enhanced security features. The Library also demonstrated a prototype for the input of a new category of legal information, legal writings, at the Fifth Annual GLIN Project Directors Meeting in September 1998. There are twelve member countries participating via the Internet, and the Library projects that three GLIN member nations will be added each fiscal year.

- ◆ **Internet Access.** The Library is providing more and more information to the Congress and the public via its Internet-based systems including three world-wide-web services (THOMAS, LC-Web, and CRS-web), the Library of Congress Information System (LOCIS), and various file transfer options. The average number of monthly transactions on the Library's public computer system increased to more than 60 million during fiscal 1998. In September 1998, the Library recorded 83 million transactions from both internal and public systems, more than double the fiscal 1997 monthly average.

"Public Access to the Internet" workstations were made available in many of the Library's reading rooms during fiscal year 1998, and as a result, the Internet and the world wide web gained increasing importance in reference service.

- ◆ **National Digital Library.** The National Digital Library Program (NDL) made significant progress during fiscal year 1998 toward the ambitious goal of making a critical mass of Americana freely accessible by the year 2000, the Library's Bicentennial. As of the end of fiscal year 1998, more than 1.4 million Library of Congress digital files were available on-line. In addition, the Library sponsored efforts to make on-line access available to another 13,900 digital files from other collaborating institutions. More than two million digital files, from both our own archives and through collaborations with other great repositories, are underway in various stages of production. The Library continues to enhance and expand access to on-line content through educational tools such as "Today in History"

and the Learning Page, the 1998 Educator's Institute, the onsite Visitor Center, and other related user outreach activities.

**Library of Congress Collections Placed On-line.** The National Digital Library Program placed eighteen new collections, presentations, first releases, and previews on-line in fiscal year 1998. Many collections were presented in their entirety. For other larger, more extensive collections, such as the George Washington Papers and the Century of Law Making Collection, NDL presented just the first release of significant collection content to come on-line in the near future.

**Library of Congress Ameritech Competition Collections Placed On-line.** Fiscal year 1998 was the second year of the three-year nation-wide competition which provides financial and technical support to other archives and institutions in digitizing historically significant American collections. The Library conceived of this project that the Ameritech Corporation has funded. We awarded a total of \$540,980 for seven projects involving eleven institutions. Two winning collections from the fiscal year 1997 inaugural competition debuted on-line during fiscal year 1998 and are accessible from the American Memory homepage. A total of twenty-one award winners now have received support for their digitizing efforts.

**Today in History.** This on-line feature highlights events in American history, by specific searchable dates, in a brief essay that is linked to the Library's digitized collections. This feature celebrated its first anniversary in April 1998 with the addition of a searchable archive providing access to all essays to date. "Today in History" is popular with history and social studies teachers who post it in their classrooms or use it as a lively discussion topic for opening the day's class.

**The Learning Page.** The Learning Page existing Pathfinder indexes were updated to include eight new American Memory collections and eight additional "Learn More About It" documents. The Page celebrated Women's History Month with the special presentation "Pioneering Women." In addition to nine new teacher-developed lesson plans, the newly released George Washington Papers now appear with the lesson plan, "In Congress Assembled." "The Big Picture," teaches school children visual literacy with a weekly jigsaw image from American Memory. The "Historical Detective" series added features on Billy the Kid and Helen Keller.

**1998 Educators' Institute.** The week-long Educators' Institute brought fifty educators from 17 states (and the District of Columbia) to Washington, D.C. to explore use of primary sources in education, to develop lesson plans that draw upon the Library's American Memory online collections, and to share teaching ideas on-line with other teachers elsewhere. In its second year, the program now has brought to the Library 100 educators from 29 states across the nation and has the goal of reaching all 50 states by the year 2000.

**Link to Department of Education's FREE and Participation in American Strategies.** All American Memory collections and Learning Page materials are individually indexed by topic and made available via the Federal Resources for Educational Excellence (FREE), a Web gateway to educational materials, sponsored by the Department of Education. American Strategies, similarly, is a collaborative effort of federal cultural institutions to showcase their collections through one gateway, demonstrating the enormous richness of Federal archives through the Internet.

**National Digital Library Visitors' Center.** For fiscal year 1998, the Center hosted more than 600 programs for more than 8,000 visitors. Among the programs was a week of presentations to attendees at the American Library Association annual conference. Center staff answered 5,074 email requests for information.

**Planning for Future Content.** The National Digital Library Advisory Group, a distinguished panel of librarians, educators, and historians met on April 27, 1998, to hone selection criteria for future Library collections and suggest suitable ways to handle sensitive materials in the Library's Web collections. The group also identified what they believed to be the most desirable Library collections to digitize from among more than 200 under consideration. Expanding the Library's collaborative efforts, NDL began an initiative, made possible by a Mellon Foundation Grant, which will provide future access to selected content of the New York Historical Society and the Chicago Historical Society.

- ◆ **ACCESS System.** The Library's ACCESS system, a user-friendly way for readers visiting a reading room to access the Library's information files electronically without training or assistance, now operates in many locations at the Library and in several House and Senate locations. The ACCESS system, including an Internet/ Web version, will continue to handle inquiries until a new public access catalog becomes available through the Library's Integrated Library System now being installed.
- ◆ **Geographic Information System.** The Geography and Map Division (G&M) is a leader in the cartographic and geographic information communities through its work in Geographic Information Systems (GIS). G&M continues to work closely with the Congressional Research Service and Congressional Relations Office to produce customized maps and geographic information for Members of Congress and with the National Digital Library to digitize cartographic materials for electronic access throughout the nation. Working closely with private sector partners, G&M continued to expand the collection of large-format images available through the Internet. A second major map collection, Railroad Maps, was introduced on June 24, 1998. By the end of the fiscal year, 1,522 maps (4,971 images) were made available to the world through the *Map Collections* homepage, which now averages more than 350,000 computer transactions each month.

◆ **Projects in Development and Test Status:**

(1) The **Copyright Office Electronic Registration, Recordation and Deposit System (CORDS)**, a major developmental system for digital registration and deposit of copyrighted works over the Internet, uses the latest advances in networking and computer technology. It is being developed by the Copyright Office in collaboration with national high-technology research and development partners (Defense Advanced Research Projects Agency and Corporation for National Research Initiatives). CORDS is a key component of the global infrastructure for digital libraries of the future. CORDS will also help the Copyright Office streamline its internal registration, recordation and deposit processes, as well as provide the Library of Congress with copies of new copyrighted works in digital form for its National Digital Library repository.

**Status:** The Copyright Office continues to develop, test, and enhance the basic CORDS production system and is systematically building toward national implementation in the year 2000 for electronic registration and deposit of copyrighted works over the Internet. As many as 100,000 works in digital form could be received through CORDS annually by the year 2004.

(2) The **Electronic Cataloging in Publication (ECIP)** project is enabling the Library to obtain texts of forthcoming publications from publishers via the Internet, catalog them entirely in an electronic environment, and transmit the completed catalog records via email to the publisher for inclusion on the copyright page of the printed book.

**Status:** Implementation of the full production system is planned for the first quarter of fiscal year 1999.

(3) The **Integrated Library System (ILS)** project achieved several major milestones during fiscal year 1998. The Library awarded a contract in May 1998 to the Endeavor Information Systems, Inc. (EISI) for its Voyager integrated software system and initiated both implementation and testing tasks. At the direction of the Congress, the Library worked with GAO to develop a methodology for monitoring, tracking, and reporting to the Congress both costs and savings from the ILS initial implementation. This methodology was detailed in the ILS Implementation Plan, which was distributed to the Congress in April 1998. The first Quarterly ILS report was forwarded to the Congress in October and covered the implementation activities from contract award (May 15) through the end of fiscal year 1998. The new system will improve automation support for bibliographic control and inventory management activities at the Library through the use of a shared bibliographic database which integrates all major Library Services functional areas, such as acquisitions, cataloging, serials management, circulation, inventory control, and reference.

**Status:** The ILS is scheduled to be operational at the beginning of fiscal 2000. Precise analysis of ILS production costs and savings will be developed after the system is fully operational. The Library expects that any major savings from the ILS would begin to accrue at the end of fiscal year 2000 and be recognized in the Library's fiscal year 2001 budget and beyond.

- **Year 2000 Century Change** - The impending century change will affect Library systems that are date-dependent. Hardware and software systems that require specific dates to

execute must be modified or replaced with systems capable of functioning with four digit dates in order to distinguish between the year "1900" and "2000." To prepare for the transition to the Year 2000, the Library has developed a detailed Year 2000 plan using General Accounting Office (GAO) guidance. The Library has assigned leadership responsibilities, managerial and technical, for planning and program implementation and is participating in the GAO Year 2000 Legislative Branch progress review. Both mainframe and UNIX systems' time machines and an HourGlass 2000-test tool are being used in renovating, testing and implementing software. The mainframe and UNIX testing guidelines were developed using GAO guidance for staff to follow in developing detailed system level test plans. An automated tracking system was developed and initiated to track and monitor Year 2000 progress. During fiscal year 1998, the Library has identified 99 mission-critical systems, 41 of which are renovated, 16 are validated and 15 are implemented. The Library and its service units are beginning to address and develop the contingency plans for the mission-critical systems.

- ▶ **Security of Facilities, Staff, and Collections** - During fiscal year 1998, two of the Library's Congressional oversight committees, House Oversight and Senate Rules and Administration, approved the comprehensive Security Plan that was completed at the end of fiscal 1997. The plan provides a framework for the security of the Library's physical facilities, collections, facilities, staff, visitors and other assets; and at the end of fiscal year 1998, the plan was being updated to reflect major physical security changes resulting from the July 1998 Capitol Hill shooting and the two U.S. embassy bombings in Africa. The Library installed and activated new state-of-the-art magnetometers and increased police presence at public entrances (four) and the James Madison building loading dock and garage ramps following these events. Exterior patrols were also increased in response to crimes near Library property. An automated database was developed to track the status of all unmet requirements addressed in the Security Plan including projected cost estimates. The Library used the database to develop fiscal year 2000 budget priorities.

At the start of fiscal year 1999, the Congress approved the Library's emergency supplemental budget request for major physical security improvements, including: the consolidation of the two police command centers; integration and upgrading of intrusion detection systems; increased police staffing, including training, equipment, and support personnel; additional exterior, closed circuit television monitoring equipment; improved access control including vehicle barriers, curb walls, perimeter bollards, and secure police shelters; modification of building entrances for full entry screening and improved exterior lighting.

Other security improvements include: (1) Police-issued equipment was improved (i.e., weapons, radios, body armor); (2) Security awareness and training was enhanced; (3) Significant security support was provided to the Interpretive Programs Office including the installation of extensive electronic and physical security controls and the provision of security guards to protect the major exhibits. The use of security guards in reading rooms was extended to the Main Reading Room, where restrictions went into effect concerning the bringing of personal belongings into the reading room; (4) The Library

completed work on several safeguards for its computer resources, including computer security incident handling and an automated asset management system to keep track of all security measures for software maintained by Information Technology Services (ITS). A firewall has been procured, and a comprehensive user administration tool was installed; and (5) The Copyright Office completed additional risk assessments of Performing Arts, Visual Arts, Literary, Serials, and Motion Picture materials and implemented a number of security recommendations including the application of accession labels to CD/CD-ROM jewel cases and security tags to paperback books and the purchase of locking portable tubs to provide secured handling of select materials.

- ▶ **Arrearage Reduction/Cataloging** - The Library continued to focus on arrearage reduction during fiscal year 1998, reducing the arrearage total by 861,548 items while maintaining currency with new receipts. This represents a cumulative reduction of 51.9 percent of the amount on hand at the time of the initial arrearage census in September 1989 -- from 39.7 million to less than 19.1 million. The processing of print materials continues at very high levels, even as staffing levels continue to drop -- in fiscal year 1998 staff created cataloging records for 274,890 volumes and inventory records for an additional 128,042 items. The Library continued to take advantage of varied approaches to processing materials to gain the greatest benefits in production and arrearage reduction: copy cataloging; beginning implementation of a less full, "national core" record; focusing on completely eliminating particular arrearages; and judicious use of contract cataloging. Building on the momentum generated by the Program for Cooperative Cataloging (PCC) in the past two years, cooperative arrangements have continued to flourish. PCC member institutions increased by 100 during fiscal year 1998 to a record high of 339 and once again contributed record-breaking numbers of bibliographic records (57,926 including 37,559 for monographs and 20,367 for serials), name authorities (161,446), subject authorities (2,159) and Library's classification proposals (883), with additional contributions of 9,233 series authorities.

Some processing accomplishments for fiscal year 1998: an arrearage of 17,000 serial pieces in the American Folklife Center was completely eliminated; arrearages of Indonesian microfiche, Vietnamese serials, and South Asian monographs were eliminated; a contract provided minimal-level or core-level cataloging for nearly two thousand arrearage items in Central Asian languages which are written in the Cyrillic script; a similar contract resulted in the processing of nearly 1,000 items in Romance languages; a privately-funded visiting Soros Fellow completely cleared the monographic arrearage of Albanian social science materials; inventory-level cataloging was created for a total of 14,847 items from the Copyright Cassettes Collection, which includes rhythm and blues music, contemporary Christian music, gospel music, and recorded accompaniments; and the arrearage of Japanese monographs was reduced from -- 29,814 items to 9,742 -- a two-thirds reduction in a single year.

The Program for Cooperative Cataloging and the Cooperative On-line Serials Program, the Library's cooperative cataloging programs for monographs and serials respectively, were consolidated into a single program on October 1, 1997. This merger will increase efficiency and enhance the Library's ability to obtain high-quality cataloging records from participating institutions with minimal additional processing, allowing the Library's

catalogers to focus on processing materials in more esoteric languages and to focus on arrearage reduction efforts.

- ▶ **Off-Capitol Hill Collections Storage** - Linked to the Library's arrearage reduction project is the development of a secondary storage site to house processed materials and to provide for growth of the collections through the first part of the 21st century. During fiscal year 1998, the Congress authorized (P.L. 105-144) the Architect of the Capitol (AOC) to acquire, on behalf of the Library, real property and improvements in Culpeper, Virginia, for use as a National Audio-Visual Conservation Center. In August 1998, the Library began to store reels of film at the new center. The Library and the AOC are working with the Packard Foundation, the donor of the facility, to renovate and make the new center ready for full use. The Center is not slated to be transferred to (acquired by) the AOC until fiscal year 2001. A due diligence analysis was initiated in February 1998 and completed in May 1998. The master plan for the renovation and development of the site was also completed on September 30, 1998. The master plan included options for occupancy that are being reviewed by the Library's oversight committees.

The Library also continued to work closely with the AOC and their contractors, during fiscal year 1998, to ensure that the first storage module at the Fort Meade, Maryland, campus meets the necessary environmental requirements to house and preserve the transferred collections and that materials handling will be as efficient as possible. The AOC has advised the Library that construction of the first module will be completed and the building ready for occupancy during the middle of calendar year 2000. The initial module will contain cardboard boxes on wide-span shelving and house paper-based collections, primarily books.

- ▶ **Preservation Improvements** - The Library took action during fiscal year 1998 to improve the preservation of its vast and diverse collections by (1) completing the mass deacidification treatment of 80,000 additional volumes in American history using the Bookkeeper limited-production contract; (2) increasing processing efficiency through the elimination of redundant keying of data by creating an interface between the binding automation system and the Library's bibliographic database; (3) increasing production in binding (by 21 percent), in-house repair (by 21 percent), and boxing (by 30 percent) of Library materials; (4) completing the specifications for an internal text-page label which eliminates keying errors through the use of an LCCN barcode; (5) establishing guidelines to assess the condition of brittle books, reformatting only those books deemed "too brittle to serve" and boxing those books considered "brittle but serviceable"; and (6) publishing and distributing an illustrated teaching guide American Book Covers, 1830-1900 (prepared by Sue Allen in collaboration with Library staff) to educate staff about the value of 19<sup>th</sup> century items often found in the Library's collections.
- ▶ **Copyright Arbitration Royalty Panels (CARPs)** - During fiscal year 1998, the Copyright Office concluded five CARP proceedings, setting rates for: (1) the satellite compulsory license, 17 U.S.C. 119; (2) the mechanical license, 17 U.S.C. 115; (3) the digital performance license, 17 U.S.C. 114; and (4) the non-commercial broadcasting

license, 17 U.S.C. 118. The fifth proceeding determined the final distribution of the 1991 cable royalties among the claimants in the music category. Each proceeding required oversight of preliminary negotiations among the parties, participation in pre-controversy discovery, administration of hearings, and review of the final report of the CARP. The Copyright Office also assisted the Department of Justice in the preparation of two appellate briefs filed in the United States Court of Appeals for the D.C. Circuit in support of the Librarian's final order determining the distribution of the 1992, 1993 and 1994 DART royalties and his order setting the rates for the satellite compulsory license.

- ▶ **Implementation of the Copyright Restoration Provision of the GATT Uruguay Round Agreements Act** - Effective January 1, 1996, this act restored the copyrights in a vast number of foreign works that were previously in the public domain in the United States. From October 1997 through September 1998, the Copyright Office processed 6,250 documents containing 23,140 restored titles. The Copyright Office also processed 1,518 GATT registrations and 213 GATT Group registrations.
- ▶ **National Library Service for the Blind and Physically Handicapped (NLS)** - During fiscal year 1998, NLS continued to refine and improve the Library's free, national reading program as highlighted by three major accomplishments: (1) **Development of a Digital Talking-Book Technology** - NLS made major advances in the development of a digital talking-book system by issuing a seventy-two page report, *Digital Talking Books: Planning for the Future*, which outlines both the planning scope and the steps required to develop digital talking books, by nearing completion on digital talking book standards under the auspices of the National Information Standards Organization (NISO), and by establishing a committee to oversee the development of the new digital technology with the naming of a seventeen-member executive and steering committee; (2) **Improvement of the Machine-Repair Program** - NLS improved its nationwide machine-repair training and recognition program, in cooperation with the Telephone Pioneers of America, the Elfun Society, and other repair volunteers. The national "train the trainer" program, begun in 1996, has reached all but the smallest groups and a new machine-repair training video is will provide an additional level of national assistance to volunteers; and (3) **Development of Automation Improvements** - NLS enhanced its web page by adding a wide range of program publications, by introducing digital files for full-text braille books and by nearing completion of a new copy allotment system and a new version of the Production Information Control System (PICS) that streamlines data collection in the processes of book and magazine production.
- ▶ **American Folklife Center (AFC)** - A major milestone was achieved at the very end of fiscal year 1998 when the conferees for the Legislative Branch Appropriations Act of 1999 approved a provision to authorize permanently the AFC. The conference agreement was approved subsequently by both the House and Senate and signed into law by the President on October 21, 1998 (P.L. 105-275). In fiscal year 1998, the American Folklife Center made available on-line two new collections as part of the National Digital Library Program: *Voices from the Dust Bowl* (The Charles L. Todd and Robert Sonkin Migrant Worker Collection), documentary materials gathered in California in the 1940s at Farm Security Administration workers communities; and *Buckaroos in Paradise: Ranching Culture in Northern Nevada, 1945-1982*, interviews, photographs,

and film footage from the Ninety-Six Ranch in Paradise Valley, Nevada. At its annual meeting in Memphis, Tennessee, February 12-13, 1998, the North American Folk Music and Dance Alliance presented the Center with a Lifetime Achievement Award, designed to honor members of the folk community who have made lifelong contributions to sustaining and enriching the fields of folk music and dance.

- ▶ **Bringing Treasures to the People** - The Library's collections were shared with hundreds of thousands of Americans through exhibitions, special events and symposia, traveling exhibits, and major publications. The Library continues to lead the Nation in the presentation of on-line exhibitions which now number 19. Three new exhibit spaces opened in fiscal year 1998. The Thomas Jefferson building visitor's gallery opened in February with the **African American Odyssey**, a comprehensive overview of the Library's significant and rich holdings documenting African American history. The Swann Gallery of Caricature and Cartoon and the Gershwin Room also opened to considerable acclaim. These new public spaces, together with the American Treasures exhibit space which opened in fiscal year 1997, represented the start of a more public role for the Library, its Thomas Jefferson building, and its exhibitions and accompanying programs.

- ◆ Major exhibitions included: **American Treasures of the Library of Congress** which rotates artifacts and Top Treasures (George Washington's commission as commander of the Continental Army signed June 19, 1775; Lincoln's first draft of the Emancipation Proclamation, written July 22, 1862; Thomas Jefferson's "rough draft" of the Declaration of Independence; and Christopher Columbus' Book of Privileges) every three months; **African American Odyssey** which provided for the first time a comprehensive overview of the Library's vast and diverse fund of African American materials and was the first exhibition to be shown in all three Library buildings; and **Religion and the Founding of the American Republic**, which explored the role religion played in the founding of the American colonies, in the shaping of early American life and politics, and in forming the American republic.

Other exhibitions included: **The Thomas Jefferson Building: "Book Palace of the American People,"** which celebrated the 100<sup>th</sup> anniversary of the original Library of Congress building which opened to the public on November 1, 1897; **Monstrous Craws and Character Flaws** which opened in the Swann Gallery and included works by modern artists such as Gary Trudeau, Robert Minor, Dale Messick, Jules Feiffer, and Al Hirschfeld; **Here to Stay: The Legacy of George and Ira Gershwin**, a continuing exhibition that pays tribute to the outstanding and enduring contribution to American music by this illustrious musical team; **Oliphant's Anthem: Pat Oliphant at the Library of Congress**, which featured approximately seventy items including political drawings, working sketchbooks, paintings, monotypes and sculpture spanning the career of Pat Oliphant; **From Sea to Shining Sea: An American Sampler of Children's Books from the Library of Congress**, which featured fifty-four of the 200,000 books housed in the Library's Children's Literature Center; **Zion's Call: A Library of Congress Exhibition Marking Israel's Fiftieth Year**, which contains Judaic treasures

relating to the founding of the State of Israel in 1948; **The Birth of Czechoslovakia: October 1918**, which commemorated the eightieth anniversary of the founding of Czechoslovakia.

- ◆ The Library's traveling exhibition program continued during fiscal year 1998 with **The Work of Charles and Ray Eames: A Legacy of Invention**, a collaboration between the Library and the Vitra Design Museum, Weil am Rhein, Germany, which presented the unparalleled Eames collections of the two institutions first at the Vitra Design Museum and then in Denmark and London. The exhibition will open at the Library of Congress, its first U.S. venue, in May 1999. **Sigmund Freud: Conflict and Culture**, opened in October 1998 and inspired widespread media discussion with its exploration of Freud's thought and influence on 20<sup>th</sup> century culture. The exhibition includes more than 170 items, 200 film clips, and popular cultural images from the collections of the Library and other important collections. In addition to presenting exhibitions within its own galleries, six exhibitions (**Women Come to the Front: Journalists, Photographers, and Broadcasters During World War II; Cultural Landscape of the Plantation; Paradox of the Press; In Their Own Voices; From the Ends of the Earth; and Documenting America**) were sent to twelve sites in ten states.
- ◆ The Visitor Services Office conducted 2,732 tours for 60,465 visitors; conducted 532 tours for 10,022 congressional constituents; and arranged for 655 professional appointments for 3,076 VIPs, professionals, and students representing 81 different countries. The Office initiated a full-scale volunteer program with the training and assignment to duty of 110 volunteers. These volunteers provided 21,589 hours of service, conducted 1,811 public tours, and responded to inquiries from 187,471 visitors.
- ◆ Co-publishing arrangements with trade publishers, in fiscal year 1998, included **Eyes of the Nation: A Visual History of the United States** (Knopf), which won numerous awards and appeared on many "best of" lists; **The Library of Congress: The Art and Architecture of the Thomas Jefferson Building** (Norton); **Oliphant's Anthem: Pat Oliphant at the Library of Congress** (Andrews McMeel Publishing); and **Remembering Slavery: African Americans Talk about Their Personal Experiences of Slavery and Freedom** (The New Press).
- ◆ **Library of Congress Cybercasting.** In pursuit of the latest viable Web technologies, the Library supported a Web broadcasting pilot program. The pilot explores the practicality of a regular nightly Library cybercast in the year of the Library's Bicentennial. The first pilot cybercast was conducted by the Music Division in February, 1998 featuring a concert by flutist Jean-Pierre Rampal from the Coolidge Auditorium.
- ◆ The bi-monthly Civilization magazine, which is published under a licensing agreement with the Library, completed its fourth year of publication with nearly 250,000 paid subscribers who are also Library of Congress Associates.

- ▶ **Restoration and Renovation of the Thomas Jefferson and John Adams Buildings -** During fiscal year 1998, the Library completed a number of moves and actions that are part of its multi-year plan to outfit and occupy the remaining renovated spaces of the Thomas Jefferson and John Adams buildings. Major items included relocating the Federal Library and Information Center Committee from Market Square to newly renovated space in the John Adams building; completing renovation of the Swann Gallery, the Gershwin Room, and the Coolidge Auditorium; and nearly completing the roof replacement project, which is expected to be finished before the end of calendar year 1998.

With the complete restoration of the Thomas Jefferson building, the Library has been able to support the work of the Congress by providing the Members Room and other building facilities for legislative and policy retreats, leadership convocations for the House and Senate, and opportunities for Members of Congress to meet with large groups of constituents. More than 75 events were held by Members for these purposes during fiscal year 1998.

- ▶ **Human Resources Improvement -** During fiscal year 1998, the Library's Internal University (IU) enhanced management and workforce knowledge and skills by coordinating over 100 different courses in 559 class sessions. Training courses covered facilitative leadership, computer software, and administrative management for first-line supervisors. In partnership with Scholarly Programs, IU established "Collections, Connections, and Service," a series of lectures based on the collections to enhance staff knowledge and awareness of the richness and diversity of the Library's holdings. IU also established the quarterly "Leadership Lecture Series," a forum for managers and staff to learn from top corporate, government and leadership scholars about current, effective leadership practices and techniques. IU has formed professional partnerships with other Federal training leaders to benchmark government training and build a database of successful key training programs to develop strategic links and joint ventures to maximize return on scarce training resources.

Developing an awareness of the richness and diversity of our staff is an ongoing Library priority. By the end of fiscal year 1998, 80 percent of all staff members had attended a one-day Basic Awareness Training session. A new web-based diversity training software program was developed during fiscal year 1998 and piloted during October 1998. This training is being provided via the Internet so that the course can be taken at the convenience of the manager or supervisor and cause minimal disruptions in daily work schedules. A Diversity Advisory Council, made up of representatives from each Library organization, meets monthly to address diversity issues and to co-sponsor programs that highlight the diversity of our staff and collections.

- ▶ **Financial Statement Audit Opinion -** In March 1998, the Library's independent accountants, Clifton Gunderson, LLC, issued an unqualified "clean" audit opinion on the Library's fiscal year 1997 Consolidated Financial Statements. In addition to the second consecutive "clean" audit opinion, the auditors found no material internal control weaknesses, and the number of reportable conditions decreased from seven to six.

The preparation of auditable financial statements represents the fulfillment of a basic agency responsibility to safeguard the handling of public monies, and the Library plans to continue the preparation and audit of annual financial statements. While substantial progress has been made to improve the accountability of the Library's resources, the audit report recommends further improvements in the Library's financial controls and in the control of the Library's collections. The Library's strategic plan contains objectives to address the auditor's recommendations.

- ▶ **Gift and Trust Funds** - During fiscal year 1998, more than 1,100 private gifts to 90 different Library funds supported a variety of new and continuing programs, including: the National Digital Library (NDL); the Junior Fellows Program; the opening of two major exhibitions featuring Library collections: *African American Odyssey*, *Religion and the Founding of the American Republic*; and the preparation for a third major exhibition: *Sigmund Freud: Conflict and Culture*. Gifts also supported preparation for a major joint exhibit with the British Library scheduled to open in 1999 (i.e., *The Ties of Our Common Kindred: Four Centuries of British-American Relations*), the National Film Registry Tour, the Center for the Book, and many other Library activities (e.g., retrospective acquisitions, purchases for the general collections, outreach programs for the blind and physically handicapped, poetry readings, public lectures, concerts, Congressional retreat and seminar programs, the Children's Literature Center, the Indian publications microfilming project, the Montana Heritage Project, and the Geography and Map Division). Twenty new gift and trust funds were established including *The Bob Hope Fund* in support of the Bob Hope Pavilion of American Entertainment; *The Edwin L. Cox American Legacy Fund* (for acquisitions); the *Harper-Inglis Memorial Trust Fund for Preservation*; and other funds supporting conservation internships, the Adopt-a-Book program, Hebraic Section programs, and State Centers for the Book.

For the NDL program, nearly \$13 million was received, bringing the total in pledges and gifts from the private sector to \$44.7 million toward a goal of \$45 million. Donors of \$1 million or more during fiscal year 1998 include John W. Kluge (\$5 million), Donald G. Jones (\$1 million), Glenn R. Jones (\$1 million), G.F. Lenfest (\$1 million), and The Pew Charitable Trusts (\$1 million).

Through the planned giving program, the Library received proceeds from a charitable remainder trust and additional gifts from Abraham and Julienne Krasnoff totaling more than \$1 million to be added to the James H. Billington Trust Fund, which supports special projects by Library curators; \$273,884 from the Marguerite Roll Trust to be added to the Marguerite Roll Local History and Genealogy Trust Fund; a charitable remainder trust of \$50,000 from Edward and Joyce Miller to be added to a trust fund in support of the General Collections; four bequests totaling \$521,412 from the estates of Irving Jurow (for the support of concerts featuring the harpsichord), Carolyn Just (in support of chamber music performances and recordings), Marjorie Mills Dadian (in support of the Armenian collections), and Charles A. Jahant (in support of the Jahant Collection of photographs in the Music Division).

- ▶ **Bicentennial Commemoration** - Planning for the Library's Bicentennial commemoration in 2000 began in 1997 with the appointment of a steering committee of

senior Library managers under the leadership of the Librarian of Congress. A program manager was appointed in 1998. The Bicentennial goal is "To inspire creativity in the year ahead by stimulating greater use of the Library of Congress and libraries everywhere." The Library's 200th anniversary is a unique opportunity to reaffirm the historical role of libraries as centers of learning and to reinvigorate the nation through greater use of libraries and wider access to knowledge. The Bicentennial theme of "Libraries--Creativity--Liberty" reflects the essential role that libraries play in a democracy. The kick-off event for the Bicentennial will be a symposium on the *Frontiers of the Mind in the 21<sup>st</sup> Century*, which will bring together at the Library leading thinkers in various disciplines to talk about the way their field will change in the 21<sup>st</sup> century.

The concept of "Gifts to the Nation" is central to the Bicentennial effort. The Library itself is a Congressional "Gift to the Nation." Sharing the Library's collections and information about the Congress with Americans in their local communities through an expanded National Digital Library is the Library's major gift to the nation. Obtaining materials for the Library's collections from congressional districts through the "Local Legacies" project, documenting cultural traditions and events nationwide, will further enhance and dramatize the Library's role as America's memory. The Library and its Madison Council has also launched a major "Gifts to the Nation" campaign to acquire a number of significant research collections for the Library, as well as to establish a number of endowed chains and curatorships. The Congress has approved a commemorative coin for the Bicentennial, and a U.S. postage stamp has been designed. Both the coin and the stamp will be issued in the year 2000. Other Bicentennial activities include media programming, grass-roots reading promotion efforts, a national photography contest that celebrates the nation's libraries, a national "Favorite Poem" project, exhibitions, symposia, publications, and projects that promote appreciation of the Library and the history of its buildings, collections, staff, and services.

A Bicentennial home page (<http://www.loc.gov/bicentennial>) provides up-to-date information about the Bicentennial and its programs. The Bicentennial commemoration is being supported primarily through private contributions. The Library's Madison Council has provided substantial funding.

## **STEWARDSHIP REPORTING**

The standard for stewardship reporting on selected assets classified as "Heritage Assets" developed by the Federal Accounting Standards Advisory Board (FASAB) is mandatory for fiscal year 1998. The standard applies to entities (1) that control stewardship resources and (2) whose financial statements purport to be in accordance with federal accounting principles and standards developed by FASAB and accepted by the principals. All stewardship information is deemed "required supplemental stewardship information."

In fiscal year 1995, the Library, in consensus with its independent accountants, determined its collections were within the stewardship resource classification and prepared its first stewardship report. By beginning in fiscal year 1995, the Library initiated developing a data collection and a trial reporting methodology that lead to fulfilling the objectives of the stewardship reporting standard -- to assist in judging the long-term effectiveness of expenditures for "heritage assets," the results of inputs and outcomes, and the financial impact of sustaining current services.

Consistent with the guidelines provided by FASAB, the Library has prepared its fourth stewardship report on its collections that provides the suggested relevant information concerning the asset description, acquisition, preservation, security, use, estimated number of items, and expenditures. The Stewardship Report is included as Section 4 of this report.

### **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 Consolidated Financial Statements. While the statements have been prepared from the books and records of the Library, the statements are in addition to the financial reports used to monitor and control budgetary resources which 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**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 1.      Summary of Significant Accounting Policies**

**A.      Reporting Entity**

The Library of Congress (Library), a legislative branch agency of the federal government, was established in 1800 primarily to provide information and policy analyses to the members and committees of the U. S. Congress. Since then, the Library has been assigned other major missions such as 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 and trust funds.

The Library's programs and operations are subject to oversight by the Joint Committee on the Library which is comprised of members of the U. S. House of Representatives and Senate. 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 Committees' 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 receives donations from the public in the form of gifts and trusts. The trust funds are controlled by the Library of Congress Trust Fund Board, which consists of the Librarian of Congress (who is Chairman and Secretary of the Trust Fund Board), the 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 additional members appointed by the President (2), the U.S. House of Representatives (4), and the U. S. Senate (4).

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

**B.      Basis of Presentation**

The accompanying consolidated statements report the financial position, operations, and changes in net position and the combining statement reports the budgetary resources of the Library for fiscal year 1998. These consolidated and combined financial statements include the accounts of all funds 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

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

management system in accordance with the form and content for entity financial statements specified by the Library's Financial Management regulations and directives and the accounting policies summarized in this note.

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 new standards now being developed by the Federal Accounting Standards Advisory Board (FASAB). However, the Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budget data into the overall federal government structure. For purposes of financial management and reporting, the Library has issued a regulation (LCR 1510) which adopts the executive branch reporting requirements in a manner consistent with a legislative agency.

All significant intra-agency balances and transactions have been eliminated in consolidation.

The statements include five appropriated fund accounts; 13 revolving funds; reimbursable funds (including four major programs); 87 trust funds; and 142 gift funds.

**C. Basis of Accounting**

Transactions are recorded on the accrual basis and are within budgetary limitations established to facilitate compliance with legal constraints and controls over use of federal funds. 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 General Accounting Office (GAO), Office of Management and Budget (OMB), and Department of the Treasury established the Federal Accounting Standards Advisory Board (FASAB) for the purpose of considering and recommending accounting principles, standards, and requirements to GAO, Treasury, and OMB. FASAB has issued and the three sponsoring organizations have approved a comprehensive set of accounting standards, which cover most transactions. The accompanying financial statements are prepared in accordance with these standards. However, transactions that are not addressed by these standards may still be incurred and the following hierarchy shall be viewed as the source of providing generally accepted accounting principles:

! Individual FASAB standards agreed to by the Controller General, the Director of OMB, and the Secretary of the Treasury, and published by OMB and the General Accounting Office;

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

! Interpretations related to the FASAB standards issued by FASAB and Technical Releases issued by the FASAB's Accounting and Auditing Policy Committee;

! Requirements contained in OMB's Form and Content Bulletin in effect for the period covered by the financial statements;

! Library of Congress Regulations and Financial Services Directives; and

! Accounting principles published by authoritative standard setting bodies and other authoritative sources (1) in the absence of other guidance in the first four parts of this hierarchy, and (2) if the use of such accounting standards improve the meaningfulness of the financial statements.

**D. Revenues and Other Financing Sources**

The Library receives the majority of its funding to support its programs through five 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. The five appropriations are:

- ! Library of Congress, Salaries and Expenses - (annual) 0380101; (no-year) 03X0101
- ! Copyright Office, Salaries and Expenses - (annual) 0380102; (no-year) 03X0102
- ! Congressional Research Service, Salaries and Expenses - (annual) 0380127
- ! National Library Service for the Blind and Physically Handicapped,  
Salaries and Expenses - (annual) 0380141; (no-year) 03X0141
- ! Furniture and Furnishings - (annual) 0380146; (no-year) 03X0146

Additional amounts are obtained through reimbursements from services performed for other federal agencies as authorized by the Economy Act and the Library's annual appropriation legislation. Also, the Library receives gifts from donors and interest on invested funds. In addition, the Library operates several self-sustaining gift revolving funds which generate revenues from sale of various products and services to the public and federal customers.

Appropriations are recognized as revenues at the time they are used to pay expenses. Other revenues are recognized when earned. Reimbursable and revolving fund revenue is recognized when goods have been delivered or services rendered.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**E. Gift and Trust Funds**

During fiscal 1998, the Library administered 229 gift and trust funds with combined asset value of approximately \$74 million. Funds are restricted as to their use which must be in accordance with the terms of the gift agreement. In general, funds are either temporarily restricted (principal may be spent) or permanently restricted (principal may not be spent). Additional restrictions may be imposed on trust funds by the terms of a trust agreement or donor's will. Library fund managers administer and oversee the gift and trust funds to ensure they are used as directed by the donors and in accordance with Library policy.

**F. Fund Balance with Treasury**

The amount shown as Fund Balance with Treasury represents the balances of the appropriated, reimbursable, gift and trust, revolving, and custodial funds that are on deposit with the U. S. Treasury.

**G. Cash and Other Monetary Assets**

Cash and other monetary assets is defined as all cash not held by the U.S. Treasury. This category includes deposits in transit, cash on hand, imprest funds, and foreign currency.

The Library receives and utilizes foreign currencies in carrying out operations abroad. It conducts business through six overseas offices and uses local currencies. Additionally, the Library administers one U.S. Treasury foreign currency account (Indian rupees). At year-end, account balances remaining in foreign currencies are remeasured to U.S. dollar equivalents at the uniform government-wide Treasury reporting rates. Foreign currency balances at year-end are immaterial to the consolidated financial statements.

**H. Investments (Net)**

Gift & Trust Funds - The Library of Congress Trust Fund Board determines the investment policy for the Library's gift and trust funds. The policy provides three options for investment of gift and trust funds:

- ! a permanent loan with the U.S. Treasury
- ! a pool of U.S. Treasury market-based securities
- ! a private investment pool consisting of six stock funds and one money market fund.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

The six stock funds recommended by the Trust Fund Board's investment committee are:

- ! Vanguard Index Trust - Small Capitalization Stock Portfolio
- ! CGM Mutual Fund
- ! Mutual Beacon Fund
- ! Fidelity Fifty Fund
- ! Fidelity Stock Selector
- ! Robertson Stephens Funds - The Emerging Growth Fund

Under 2 U.S.C. 158, up to \$10,000,000 of the Library's gift and trust funds may be invested with the U.S. Treasury as a permanent loan at a floating rate of interest, adjusted monthly, but no less than four percent 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 equity in the balance sheet.

All gift and trust fund investments are obtained and held by the gift and trust funds under conditions set forth in the respective gift and trust instruments.

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

Deposit Funds - Pursuant to Public Law 105-80, funds deposited by copyright applicants are invested, based on the unearned balance available, by the 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

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

investments will be held until the deposit fees are earned and income accrues to the benefit of the Copyright Office.

**I. Accounts Receivable, Net**

Accounts receivable generally resulted from billings to other federal agencies under reimbursable interagency agreements for data base retrieval and other library services. The Library has established an allowance for doubtful accounts of \$9,905 against governmental accounts receivable based on past collection experience. The Library does not record allowance for doubtful accounts for intragovernmental accounts receivable based on the FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 1, "Accounting for Selected Assets and Liabilities", which cites that "losses on receivables should be recognized when it is more likely than not that the receivable will not be totally collected". Intragovernmental receivables are likely to be totally collected.

**J. Pledges Receivable**

Contributions of unconditional promises to give (pledges) to the Library and the Library of Congress Trust Fund Board 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. In the past, the Library has collected all pledges in full, therefore, no allowance for uncollectible pledges has been established.

**K. Inventories and Operating Materials and Supplies**

The Library's inventories are primarily comprised of bibliographic products, unissued supplies and unused postage that will be consumed in future operations, materials used to reproduce printed materials, sound recordings for both internal and external sales, and sales shop merchandise for resale. Consumable operating supplies are valued at cost using a first-in first-out method of valuation. Sales shop merchandise is valued at cost or market, whichever is lower. The recorded values of inventory and operating materials and supplies are adjusted for the results of periodic physical counts.

**L. Property and Equipment, Net**

For fiscal years prior to 1998, the Library capitalized furniture and equipment at cost if the initial acquisition cost is \$10,000 or more. Starting in fiscal year 1998, the Library capitalizes

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

furniture and equipment at cost if the initial acquisition cost is \$25,000 or more. Depreciation is computed on a straight-line basis using estimated useful lives.

The largest category of equipment is for the National Library Service for the Blind and Physically Handicapped lending program which is classified as equipment on loan to the public in Note 6. The Library purchases this unique, specially designed equipment from the manufacturer in large lots with a high bulk value. For financial reporting purposes, the machines are grouped by the aggregate amount purchased and shipped to machine lending agencies during a fiscal year. Each fiscal year group is then accounted for over the estimated useful life of the assets in the aggregate. The value of the equipment does not include any freight or postage costs. These shipping costs are included under the U.S. Postal Service's "free matter for the blind and physically handicapped." The value of this service has not been determined.

Operating equipment is amortized over a 4 to 20 year period. ADP software is software purchased from outside vendors with an estimated useful life of three years or more and a value of at least \$10,000 per item acquired in fiscal years 1997 and prior or at least \$25,000 per item acquired in fiscal year 1998.

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

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 trust funds. Capitalized property and equipment acquired through gifts are recognized as donated revenue in the gift and trust funds and transferred to the Library's appropriated fund. The Library records the donated property and equipment at its fair market value at the time of the gift.

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) and a secondary storage facility at Fort Meade, Maryland. Costs associated with the acquisition and maintenance of these buildings are accounted for by the Architect. However, in accordance with SFFAS No. 4, "Managerial Cost Accounting Standards", a current year expense of \$24.2 million was recorded for the acquisition and maintenance of these buildings and was offset by an imputed financing source, which represents the amount being financed by the Architect. In fiscal year 1998, the

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

Architect received an appropriation totaling \$15.8 million to fund the structural and mechanical care of these buildings. This appropriation is not reflected in the accompanying consolidated financial statements. The Library does capitalize and depreciate leasehold improvements to all of its facilities as long as the improvement was made using the Library's funding sources.

**M. Library Collections**

The Library's collections are classified as heritage assets, and their value is not presented on the financial statements. Stewardship information covering the acquisition, use, preservation, and security of the collections is contained in a supplementary Stewardship Report.

**N. 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 are the result of custodial and deposit account activities, are classified as liabilities not covered by budgetary resources. For accrued unfunded annual leave, compensatory time earned and workers' compensation liabilities, it is not certain that appropriations will be enacted to fund these amounts.

Advances From Others are funds received for the reimbursable programs, the Photoduplication Service and the Cooperative Acquisitions Program that have not yet been earned.

Custodial and Deposit Liabilities are customer funds on deposit for Copyright and Cataloging Distribution Service products and services. This category also includes the custodial funds for Copyright royalties.

Accrued Annual and Compensatory Leave - The Library's basic leave policy is contained in Title 5, U.S.C., the 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. Accrued annual leave is accrued as it is earned and 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 adjusted to reflect current pay rates.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

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. A maximum of 20 hours may be carried forward from one leave year to the next only when it was earned during the last pay period of the leave year. Exceptions to the accumulation and carry forward rules require the approval of the Librarian or his/her designee.

Sick leave and other types of nonvested leave are expensed as taken.

Capital Lease Liabilities are liabilities resulting from capital leases of equipment.

**O. Federal Employee Benefits**

Approximately 54 percent of the Library's employees participate in the Civil Service Retirement System (CSRS), to which the Library makes contributions equal to 8.5 percent of pay. There is a small number under CSRS that are also covered by Social Security (FICA) so the Library's contribution is slightly less. An additional 41 percent of the Library's employees are covered by the Federal Employees Retirement System (FERS) to which the Library makes employer contributions equal to 10.7 percent of pay in addition to matching employee Thrift Savings Plan (TSP) contributions up to an additional five percent of pay. Under FERS, the employee is also covered by FICA to which the Library contributes the employer's matching share. The remaining five percent of the Library's employees are only covered by FICA to which the Library contributes the employer's matching share.

The accrued amounts due for the contributions due at the end of the fiscal year are reported as liabilities covered by budgetary resources. Contributions for fiscal year 1998 were as follows:

CSRS	\$11,445,493
FERS	8,615,023
TSP	3,311,861
FICA	5,279,920
Total	<u><u>\$28,652,297</u></u>

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

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

departments and agencies. However, in accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government", a current year expense of \$20.7 million was recorded for the service cost of the Library's employee retirement, health and life insurance benefits and was offset by an imputed financing source, which represents the amount being financed directly by OPM.

**P. Intragovernmental Activities**

Inter-entity costs are costs of services provided by other Federal entities to the Library. When these costs are provided at no cost or at a reduced cost, the Library recognizes in its accounting records the full costs of the services it receives as an expense and as a corresponding financing source. These financial statements include unreimbursed inter-entity costs for the Architect of the Capitol, Office of Personnel Management and the Government Printing Office.

The financial activities of the Library interact with and depend on other federal government agencies. Thus, the Library's consolidated financial statements do not reflect all financial decisions and activities applicable to it as if it were a stand-alone entity.

1. The Library's consolidated financial statements are not intended to report the agency's share of the federal deficit or of public borrowings, including interest thereon.
2. The Library's program for the blind and physically handicapped participates in the U.S. Postal Service's "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 which 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.
3. Governmental Services:
  - a. The Library is authorized to provide to other federal libraries and agencies services such as automated library information and other data base retrieval services through data base 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 - Intra governmental) and the amount to be

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

received for services provided (Accounts Receivable - Intragovernmental).

**b.** Three government 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. In fiscal year 1998, the Library paid \$475,479 for these services.

! The Library utilizes the services of the Department of State as documented by the International Cooperative Administrative Support Services (ICASS) system to support the Library's six overseas field offices. The Library paid \$632,706 for these support services in fiscal year 1998.

! The General Services Administration (GSA) provides building and vehicle leasing services for the Library. (See Note 9B)

**c.** As noted under Note 1.L, the Architect of the Capitol provides the structural and mechanical care of the Library's capitol hill facilities and remote storage site at Fort Meade, Maryland.

**Q. 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. Civilization Magazine - *Civilization***, a bimonthly magazine published under license from the Library by Civilization, L.L.C., a limited liability company based in Delaware, was launched in November, 1994. The original publisher was L.O.C. Associates, L.P., which sold their interest to Civilization, L.L.C., in January 1997. The cooperative agreement was approved by the Joint Committee on the Library in the fall of 1993. Under the licensing agreement, the Library may receive donations and must approve all promotional, editorial, and advertising material using the Library's name. Twelve hundred federal depository libraries and all members of Congress received free subscriptions in fiscal 1998. In connection with the magazine, the Library formed the Library of Congress Associates Program. By subscribing to *Civilization*, a person becomes a Library of Congress Associate entitled to special tours of the Library as well as discounts on food and gift shop merchandise sold at the

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

Library. The donations received by the Library as a result of this publication and the revenue foregone as a result of the discounts given cannot readily be determined.

**2. Telephone Pioneers of America** - The Telephone Pioneers is a large industry-related organization that voluntarily repairs playback machines for the blind and physically handicapped program. Approximately 1,500 Telephone Pioneers (AT&T retirees) and Elfuns (General Electric retirees) repair the cassette book machines and talking book machines. Their labor is valued at \$4.2 million per year.

**3. Library of Congress Child Care Association (LCCCA)** - The LCCCA is a nonprofit corporation under the District of Columbia's Nonprofit Corporation Act. It was granted 501(c)(3) status by the Internal Revenue Service on August 31, 1992, and currently operates as the "Little Scholars Child Development Center." The center is located on the ground floor of the Library's Special Facilities Center, 601 East Capitol Street in the District of Columbia. The center provides child care for Library employees and other federal and non-federal employees. Its operations, management, and employees are the responsibility of the association 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. 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.

**4. The Archer M. Huntington Charitable 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 Library of Congress Trust Fund Board 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 with a fair value of assets at September 30, 1998 of \$5,591,618. 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. In fiscal year 1998, the Library received \$105,448 from the trust.

**5. Ira and Leonore Gershwin Trust Fund and Related Charitable Trust** - Under the will of Mrs. Leonore Gershwin, the Library of Congress Trust Fund Board is the beneficiary of 37.5 percent of Mrs. Gershwin's "1987 Trust." The will established the "Library Charitable Trust" which was accepted by the Library of Congress Trust Fund

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

Board in January 1992. The primary purpose of the Trust is to perpetuate the name and works of George and Ira Gershwin through all resources of the Library. The Charitable Trust does not belong to the Library but is a separate entity administered by trustees. The net income of the Charitable Trust is distributed to the Library's Ira and Leonore Gershwin Trust Fund monthly or in installments after the Library submits project requests. Income is recorded by the Library in the period received. The balance of principal of the Charitable Trust will be distributed to the Library in 2033, fifty years after the date of death of Ira Gershwin.

**6. "Friends" Organizations** - Three organizations lend support to Library programs through gifts of money and other property but are incorporated as independent entities under the Internal Revenue Service Code, Section 501 (c)(3).

**a. Millennium Foundation, Inc.** - The Foundation operates for charitable, educational and literary purposes solely to benefit, support, and carry out the purposes of the Library. The Library allows the Foundation to use its name in connection with the performance of activities approved by the Library. This right exists only so long as Millennium is engaged in activities that directly or indirectly support the mission and objectives of the Library. In its third quarter report, dated September 30, 1998, the Foundation reported total assets on hand of \$86,363.

**b. Friends of the Law Library** - This non-profit organization's mission is to support and encourage awareness of the Law Library, contribute to its collections, and to sponsor programs and events that provide a better understanding of the law. In fiscal 1998, the Friends provided support for the Law Library's program in honor of American Indian Heritage month; the Law Day program; the Conference on Authenticity and Archivability of Electronic Legal Information; and the Law Library's participation in the annual meeting of the American Association of Law Libraries. The Friends also donated \$25,000 for the upcoming major international conference in celebration of the Library's Bicentennial.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**c. Friends of Libraries for the Blind** - The non-profit organization's purpose is to heighten awareness and visibility of national library services for blind and physically handicapped individuals in the United States and Canada and assist and promote library services, provide cultural enrichment programs and create and issue periodic communications on topics related to blind and physically handicapped individuals.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 2. Fund Balance With Treasury**

Fund balances with Treasury at September 30, 1998, are summarized as follows:

<b>1. ENTITY</b>	<b>Obligated</b>	<b>Unobligated /Available</b>	<b>Unobligated/ Unavailable/ Restricted</b>	<b>Total</b>
Appropriated Funds	\$80,541,089	\$9,257,704	\$16,308,424	\$106,107,217
Reimbursable Funds	32,506,667	0	631,678	33,138,345
Gift and Trust Funds	3,562,251	457,832	8,803,782	12,823,865
Revolving Funds	3,016,925	5,240,461	653,063	8,910,449
<b>Total Entity</b>	\$119,626,932	\$14,955,997	\$26,396,947	\$160,979,876
<b>2. NON-ENTITY</b>				
Custodial Funds			\$253,664	\$253,664
<b>Total Non-Entity</b>			\$253,664	\$253,664

(1) At September 30, 1998, the gift and trust fund balance with Treasury Included \$10,000,000 invested in the permanent loan at an interest rate of 5 percent.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 3. Cash and Other Monetary Assets**

Cash and Other Monetary Assets consists of the following:

<b>ENTITY</b>	<b>Cash on Hand</b>	<b>Imprest Funds</b>	<b>Deposits in Transit</b>	<b>Total</b>
Appropriated Funds	\$349,732	\$42,357	\$154,035	\$546,124
Reimbursable Funds	6,852			6,852
Gift and Trust Funds	256,524			256,524
Revolving Funds	185,237	2,700	1,747	189,684
<b>Total Entity</b>	<b>\$798,345</b>	<b>\$45,057</b>	<b>\$155,782</b>	<b>\$999,184</b>

**Note 4. Custodial Funds**

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

If disputes arise regarding the disposition of the royalties, the Librarian convenes a copyright arbitration royalty panel. The panel consists of three arbitrators selected from a list of professional arbitrators nominated by professional arbitration associations. The Librarian, upon the recommendation of the Register of Copyrights, selects two of the three arbitrators who, in turn, select the third arbitrator. This individual serves as the chairperson of the panel.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

The Librarian reviews the panel's decisions and has 90 days to adopt or reject the panel's decision. Decisions may be appealed to the United States Court of Appeals for the District of Columbia Circuit.

**Note 5.      Investments, Net**

Investments at September 30, 1998 are as follows:

	<b>ENTITY ASSETS Gift &amp; Trust Funds</b>			<b>NON-ENTITY ASSETS Custodial: Copyright Royalties</b>
	<b>A. Intragovernmental Investments Non-Marketable, Market-Based</b>	<b>B. Other Investments Private Sector</b>	<b>Total Entity</b>	<b>A. Intragovernmental Investments Non-Marketable, Market-Based</b>
<b>Face Value</b>	\$27,868,000		\$27,868,000	\$705,090,000
<b>Cost</b>		\$16,054,365	16,054,365	
<b>Unamortized Premium</b>	394,806		394,806	1,839,663
<b>Unrealized Discount</b>	219,726		219,726	2,636,232
<b>Interest Receivable</b>	261,162		261,162	319,924
<b>Investments, Net</b>	<b>28,304,242</b>	<b>16,054,365</b>	<b>44,358,607</b>	<b>704,613,355</b>
<b>Market Value</b>	<b>\$28,383,435</b>	<b>\$14,821,882</b>	<b>\$43,205,317</b>	<b>\$704,891,644</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. Trust fund investment maturity dates range from October 8, 1998 to February 15, 2003, and interest rates range from 3.5 percent to 8.9 percent.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

Custodial funds investment maturity dates range from October 15, 1998 to August 31, 1999, and interest rates range from 3.8 percent to 5.5 percent.

**B. Governmental Investments**

Governmental investments are the Library's investments in private sector money market and mutual funds. Cost was derived from the investments made plus reinvested gains, dividends, and interest. Balances at September 30, 1998, are as follows:

Type of Investment	Cost Basis	Market Value
Money Market Fund	\$7,069,127	\$7,069,127
Equity Mutual Funds	8,985,238	7,752,755
Total	\$16,054,365	\$14,821,882

**Note 6.      Receivables**

**A. Accounts Receivable**

The breakdown of gross and net accounts receivable is as follows:

	Combined	Eliminations	Consolidated
<b>Entity</b>			
Intragovernmental			
Accounts Receivable, Gross	7,806,524	(1,403,827)	6,402,697
Allowance for Doubtful Accounts			
Accounts Receivable, Net	7,806,524	(1,403,827)	6,402,697
Other			
Accounts Receivable, Gross	638,709		638,709
Allowance for Doubtful Accounts	9,905		9,905
Accounts Receivable, Net	628,804		628,804
<b>Non-Entity</b>			
Intragovernmental			
Accounts Receivable, Gross	52,683		52,683
Allowance for Doubtful Accounts			
Accounts Receivable, Net	52,683		52,683

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**B. Pledges Receivable**

At September 30, 1998, the Library had unconditional pledges of contributions totaling \$19.1 million (rounded) which were discounted through fiscal year 2003 at a market discount rate and included in the statement of financial position at their discounted value of \$17.3 million (rounded). The amounts due in future years, at September 30, at their current discounted value are:

	<b>Present Value</b>	<b>Discount</b>	<b>Future Value</b>
FY 1999	\$7,292,543	\$330,059	\$7,622,602
FY 2000	4,310,357	386,556	4,696,913
FY 2001	2,172,612	297,388	2,470,000
FY 2002	1,361,607	253,393	1,615,000
FY 2003	2,193,898	531,102	2,725,000
<b>Totals</b>	<b>\$17,331,017</b>	<b>\$1,798,498</b>	<b>\$19,129,515</b>

**Note 7. Inventory**

The Library's inventory is primarily comprised of bibliographic products, unissued supplies and unused postage that will be consumed in future operations, materials used to reproduce printed materials, sound recordings for both internal and external sales, and sales shop merchandise for resale. The following table shows inventory held for use and held for sale at September 30, 1998:

<b>Entity</b>	<b>Held for Use</b>	<b>Held for Sale</b>	<b>Total</b>
Appropriated Funds	\$79,799	\$665,611	\$745,410
Reimbursable Funds	1,163,916		1,163,916
Gift & Trust Funds	1,427		1,427
Revolving Funds	91,741	888,989	980,730
<b>Total Entity</b>	<b>\$1,336,883</b>	<b>\$1,554,600</b>	<b>\$2,891,483</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 8.      Property and Equipment (Net)**

Property and equipment accounts are maintained in three categories of funds: Appropriated, Reimbursable and Revolving. The appropriated fund category includes all property and equipment used by the Library for general operations. Property and equipment purchased by FEDLINK, the Federal Research Division and the Integrated Support Services Administrative Working Fund is recorded in the reimbursable fund. Property and equipment purchased by Photoduplication Services and the Recording Laboratory is recorded in the revolving fund.

The following table shows property and equipment which was capitalized at September 30, 1998.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

<b>Classes of Property and Equipment</b>	<b>Acquisition Value</b>	<b>Accumulated Depreciation/ Amortization</b>	<b>Net Book Value</b>
Appropriated: Operating equipment	\$40,837,177	\$26,227,283	\$14,609,894
ADP software	4,738,172	2,982,403	1,755,769
Furniture & Furnishings	959,808	175,702	784,106
Capital Leases	993,696	434,217	559,479
Leasehold Improvements	9,787,311	5,324,543	4,462,768
NLS/BPH Equipment - loan to public	81,660,135	43,565,393	38,094,742
Total Appropriated	138,976,299	78,709,541	60,266,758
Reimbursable: Equipment	688,299	673,607	14,692
ADP software	17,200	3,440	13,760
Capital Leases	316,967	63,836	253,131
Total Reimbursable	1,022,466	740,883	281,583
Revolving: Equipment	1,265,048	1,041,676	223,372
Capital Leases	230,122	188,568	41,554
Total Revolving	1,495,170	1,230,244	264,926
<b>Total Property and Equipment</b>	<b>\$141,493,935</b>	<b>\$80,680,668</b>	<b>\$60,813,267</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 9.      Leases**

**A. Capital Leases**

The Library has capitalized leases for machinery and equipment at a cost of \$1,540,785 and has recorded accumulated amortization of \$629,632 as of September 30, 1998.

The lease agreements are annual fiscal year contracts that are subject to the availability of funding. The agreements contain a lease to purchase provision and there is no penalty for discontinuing the lease and turning back equipment prior to the completion of the agreement. Estimated future minimum lease payments are as follow:

<b>Fiscal Year Ended September 30</b>	<b>Amount</b>
1999	\$401,590
2000	285,639
2001	199,238
2002	173,638
2003	30,760
Total Future Lease Payments	1,090,865
Less: Imputed Interest	179,704
<b>Net Capital Lease Liability</b>	<b>\$911,161</b>

**B. Operating Leases**

The Library leases office space and vehicles from the General Services Administration and has entered into other operating leases for various types of equipment. Additionally, the Library's overseas field offices lease operating space from the Department of State. Lease costs for office space, vehicles and equipment for fiscal year 1998 amounted to \$3,866,643. Estimated future minimum lease payments through fiscal year 2006 are as follows:

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

<b>Fiscal Year Ended September 30</b>	
<b>1999</b>	<b>\$3,255,821</b>
<b>2000</b>	<b>2,271,937</b>
<b>2001</b>	<b>2,234,162</b>
<b>2002</b>	<b>2,223,511</b>
<b>2003</b>	<b>2,165,700</b>
<b>Thereafter</b>	<b>5,061,211</b>
<b>Total Estimated Future Lease Payments</b>	<b>\$17,212,342</b>

**Note 10.      Workers' Compensation**

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

The Library accrued \$2,253,996 of unbilled or unpaid workers' compensation costs as of September 30, 1998, and established an estimated unfunded liability for future costs based on historical claims rates. The estimated future unfunded liability is \$9,450,540 and is based on a ten year projection.

**Note 11.      Contingent Liabilities**

Several claims relating to employment matters are outstanding against the Library. While management cannot predict the outcome of the claims and is unable to estimate the potential loss, the maximum loss under each claim may not exceed \$300,000 in compensatory damages, plus any equitable relief (back pay, front pay, attorney's fees). Under law, any claims settled internally would be paid from the Library's funds and any claims defended in court would be settled by the Treasury's Claims, Judgments and Relief Act Fund.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 12. Other Liabilities**

Other Liabilities are comprised of the following:

	<b>Capital Lease Liability</b>	<b>Liability with Treasury - Cash in Safe</b>	<b>Deferred Credits</b>	<b>Custodial Liability</b>	<b>Total</b>
Entity:					
Other	\$911,161	\$9,221	\$320,338		\$1,240,720
Non-Entity					
Intragovernmental				\$19,652	19,652
Other				33,074	33,074
<b>Totals</b>	<b>\$911,161</b>	<b>\$9,221</b>	<b>\$320,338</b>	<b>\$52,726</b>	<b>\$1,293,446</b>

**Note 13. Unexpended Appropriations**

The components of unexpended appropriations at September 30, 1998 are as follows:

<b>Balances:</b>	<b>Consolidated</b>
Undelivered Orders	\$51,369,884
Unobligated	
(a) Available	8,313,746
(b) Unavailable	8,687,692
<b>Total Unexpended Appropriations</b>	<b>\$68,371,322</b>

Unexpended appropriations consist of unobligated balances and undelivered orders. Unobligated balances represent amounts appropriated which are unobligated and have not lapsed, been

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

rescinded, or withdrawn. Undelivered orders represent obligations the Library had incurred as of September 30, 1998, for goods and services which were ordered but had not been received by that date.

**Note 14. Program Costs by Budget Object Classification**

<b>Program Costs</b>	<b>Combined</b>	<b>Eliminations</b>	<b>Consolidated</b>
Operating Expenses:			
Personnel Services and Benefits	288,990,776	403,333	289,394,109
Travel and Transportation	2,162,728	8,268	2,170,996
Rental, Communication and Utilities	8,875,709	(308)	8,875,401
Printing and Reproduction	6,290,444	(1,890,125)	4,400,319
Contractual Services	79,261,190	(3,534,462)	75,726,728
Supplies and Materials	9,937,088	(1,278,258)	8,658,830
Library Materials	65,770,727	(2,450,516)	63,320,211
Non-Capitalizable Equipment	10,452,732	150,000	10,602,732
Other Operating Expenses	865,918	(18,359)	847,559
Depreciation and Amortization	20,733,379		20,733,379
Other Program Costs	115,182		115,182
<b>Total Program Costs</b>	<b>\$493,455,873</b>	<b>(\$8,610,427)</b>	<b>\$484,845,446</b>

The Library's collections are classified as heritage assets, and the amount designated as "Library Materials" above represents the fiscal 1998 cost incurred by the Library for acquisitions of heritage assets.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 15. Program Costs and Earned Revenue by Functional Classification**

**Program Costs by Functional Classification**

<b>Function Classification</b>	<b>Combined</b>	<b>Eliminations</b>	<b>Consolidated</b>
International Affairs	134		134
Commerce and Housing Credit	34,737,468	(590,258)	34,147,210
Education, Training, Employment and Social Services	387,504,353	(6,987,605)	380,516,748
General Government	71,213,396	(1,032,564)	70,180,832
Other	522		522
<b>Total</b>	<b>493,455,873</b>	<b>(8,610,427)</b>	<b>484,845,446</b>

**Earned Revenue by Functional Classification**

<b>Function Classification</b>	<b>Combined</b>	<b>Eliminations</b>	<b>Consolidated</b>
International Affairs			
Commerce and Housing Credit	18,786,682		18,786,682
Education, Training, Employment and Social Services	77,581,844	(8,610,427)	68,971,417
General Government	18,043		18,043
Other	(10,829)		(10,829)
<b>Total</b>	<b>96,375,740</b>	<b>(8,610,427)</b>	<b>87,765,313</b>

**Note 16. Exchange Revenues**

In accordance with Library of Congress Regulation (LCR) 1510 Financial Services, the Library must comply with any OMB circular or bulletin if it is specifically prescribed in an (1) LCR, (2) FSD 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. Circular No. A-25 requires that user charges be sufficient to recover the full costs to the Federal Government. Full costs includes all direct and indirect costs to any part of the Federal Government of providing the good or service, including unreimbursed inter-entity costs.

The Copyright Office's registration operations have legislatively mandated fees, which do not require the recovery of the full costs of operations. Registration fees may be raised to

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

recover reasonable costs; however, the new fees would need to be fair and equitable and support the objectives of the copyright system and give due consideration to the objectives.

If the Library were to increase fees and prices to recover full costs to the government of providing these goods and services, this would in some cases reduce the quantity of goods and services demanded. It is not practicable to provide reasonable estimates regarding (1) revenue forgone 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.

**Note 17.      Imputed Financing**

In accordance with SFFAS No. 4, "Managerial Cost Accounting Standards", the Library has recorded expenses for the unreimbursed full costs of goods and services that it receives from other Legislative Branch agencies (i.e., The Architect of the Capitol and the Government Printing Office) and Executive Branch agencies specifically identified for fiscal year 1998 reporting by the Office of Management and Budget (i.e., The Office of Personnel Management). Since these costs are not actually paid to the other agencies, an imputed financing source (revenue) is recorded to offset these costs.

The \$45.4 million of imputed financing consists of \$24.2 million to offset the recorded costs of the Architect of the Capitol (Library buildings and grounds costs), \$0.5 million to offset the recorded costs of the Government Printing Office (exchange program costs) and \$20.7 million to offset the recorded costs of the Office of Personnel Management (staff benefits costs).

**Note 18.      Prior Period Adjustment**

The Library has recorded a prior period adjustment due to a change in an accounting principle. For fiscal years 1997 and prior, the Library recorded offsetting collections as appropriated equity. Based on the SFFAS No. 7, "Accounting for Revenue and Other Financing Sources", which was effective for fiscal year 1998, the Library now records offsetting collections as exchange revenue. This change in accounting principle required that all remaining prior year offsetting collection appropriated equity balances be reclassified as prior period revenues. As a result, the Library is reflecting a \$6.3 million prior period adjustment on the Consolidated Statement of Changes in Net Position.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 19.      Unexpended Appropriations**

The decrease in unexpended appropriations consists of the following:

	<b>Consolidated</b>
Treasury Warrants from Appropriations	\$346,424,000
Non-Expenditure Transfers (State Dept)	488,000
Other Miscellaneous Changes, net	(116)
Rupees translation adjustment	(38,958)
Non-Expenditure Transfers (USAID)	(365,509)
Canceled BFY 93 Authority	(4,275,771)
Reclassify offsetting collection equity balances as prior period revenue	(6,258,542)
Appropriated Capital Used	(342,021,947)
<b>Decrease in Unexpended Appropriations</b>	<b>(\$6,048,843)</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 20. Budgetary Resources**

Budgetary Resources are classified as follows:

<b>Budgetary Resources:</b>	<b>ENTITY FUNDS (Appropriated Capital)</b>	<b>ENTITY FUNDS (Non-Appropriated Capital)</b>	<b>NON-ENTITY FUNDS</b>	<b>COMBINED</b>
New Appropriations and Transfers, net	\$346,701,491	(\$185,557)		\$346,515,934
Unobligated balances - beginning of period	18,702,843	44,340,763	\$728,610,353	791,653,959
Spending authority from receipts	955,130	119,774,532	249,510,174	370,239,836
Adjustments, net	(3,202,763)	3,233,368		30,605
<b>Total budgetary resources</b>	<b>\$363,156,701</b>	<b>\$167,163,106</b>	<b>\$978,120,527</b>	<b>\$1,508,440,334</b>
<b>Status of Budgetary Resources:</b>				
Obligations incurred, new	\$346,155,263	\$114,943,606	\$274,074,959	\$735,173,828
Unobligated balance - available	8,313,746	35,869,653	704,045,568	748,228,967
Unobligated balance - not available	8,687,692	16,349,847		25,037,539
<b>Total, status of budgetary resources</b>	<b>\$363,156,701</b>	<b>\$167,163,106</b>	<b>\$978,120,527</b>	<b>\$1,508,440,334</b>
<b>Outlays</b>				
Obligations incurred, New	\$346,155,263	\$114,943,606	\$274,074,959	\$735,173,828
Less: spending authority from receipts and adjustments	2,028,138	124,221,696	249,510,174	375,760,008
Subtotal	344,127,125	(9,278,090)	24,564,785	359,413,820
Obligated balance, net - beginning of period	71,629,894	41,942,144		113,572,038
Less: obligated balance, net - end of period	77,014,939	39,017,255		116,032,194
<b>Total outlays</b>	<b>\$338,742,080</b>	<b>(\$6,353,201)</b>	<b>\$24,564,785</b>	<b>\$356,953,664</b>

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

(1) The net amount of budgetary resources obligated for undelivered orders, ending balance, is \$84,468,415, which consists of \$51,369,884 of appropriated funds and \$33,098,531 of non-appropriated funds.

(2) There were no material adjustments to the beginning balances of budgetary resources.

(3) For Trust Funds, approximately \$9 million of unobligated authority is restricted from being spent by the donors and an additional \$10.7 million of restricted authority has been obligated and expended to invest in non-treasury securities.

(4) There has been no contributed capital received during fiscal year 1998.

**THE LIBRARY OF CONGRESS**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 1998**

**Note 21.      Schedule of Financing**

<b>Resources that Fund Net Cost of Operations:</b>	
Budgetary:	
Obligations incurred, new	\$735,173,828
Less: spending authority from receipts and adjustments	375,760,008
Net budgetary resources used to finance activities	359,413,820
Financing Imputed for cost subsidies	45,400,873
<b>Total resources used to fund net cost of operations</b>	<b>\$404,814,693</b>
<b>Resources Used But Not part of Net Cost of Operations:</b>	
Decrease in budgetary resources obligated to order goods and services not yet received or benefits not yet provided	\$4,663,636
Refunds of unearned customer orders (advances) and change in unobligated unfilled customer orders	(3,847,883)
Refunds of nonexchange revenue and Copyright Licensing Distributions	(275,805,734)
Nonexchange donations and other offsetting collections not part of net costs	272,939,547
Costs capitalized on the balance sheet	(26,265,920)
Investment Premium Reducing Offsetting Collections and accrued amortization of Investment Premium and Discount	(1,181,150)
<b>Total resources used not part of the net cost of operations</b>	<b>(\$29,497,504)</b>
<b>Costs That Do Not Require Resources:</b>	
Depreciation, amortization and loss on disposals	\$20,836,958
Other	1,835,573
<b>Total costs that do not require resources</b>	<b>\$22,672,531</b>
Financing Sources Yet to be Provided	592,825
<b>Net Cost of Operations</b>	<b>\$398,582,545</b>

# THE LIBRARY OF CONGRESS

## Consolidating Schedule - Balance Sheet

As of September 30, 1998

<b>ASSETS</b>	<b>Combined</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Entity Assets:</b>			
Intragovernmental Assets			
Fund Balance with Treasury (Note 2)	\$ 160,979,876		\$ 160,979,876
Investments (Note 5)	28,304,242		28,304,242
Accounts Receivable, Net (Note 6.A)	7,806,525	\$ 1,403,828	6,402,697
Investments (Note 5)	14,821,882		14,821,882
Accounts Receivable, Net (Note 6.A)	628,804		628,804
Pledges Receivable - Donations (Note 6.B)	17,331,017		17,331,017
Cash and Other Monetary Assets (Note 3)	999,184		999,184
Inventory and Related Property, Net (Note 7)	2,891,483		2,891,483
General Property, Plant and Equipment, Net (Note 8)	60,813,267		60,813,267
Other Assets	7,410		7,410
Library Collections (Note 1.M)			
<b>Total Entity Assets</b>	294,583,690	1,403,828	293,179,862
<b>Non-Entity Assets:</b>			
Fund Balance with Treasury (Note 2)	253,664		253,664
Investments, Intragovernmental Securities (Note 5)	704,613,355		704,613,355
Accounts Receivable, Net - Intragovernmental (Note 6.A)	52,683		52,683
Other Assets	47		47
<b>Total Non-Entity Assets</b>	704,919,749		704,919,749
<b>Total Assets</b>	\$ 999,503,439	\$ 1,403,828	\$ 998,099,611
<b>LIABILITIES</b>			
<b>Liabilities Covered by Budgetary Resources:</b>			
Intragovernmental liabilities			
Accounts Payable	\$ 2,060,091	\$ 1,403,828	\$ 656,263
Advances from Others	27,617,750		27,617,750
Accounts Payable	26,104,933		26,104,933
Advances From Others	1,922,522		1,922,522
Custodial and Deposit Account Liability	704,867,023		704,867,023
Accrued Funded Payroll, Benefits	13,737,605		13,737,605
Other Liabilities (Note 12)	320,338		320,338
<b>Total Liabilities Covered by Budgetary Resources</b>	776,630,262	1,403,828	775,226,434
<b>Liabilities not Covered by Budgetary Resources:</b>			
Custodial and Deposit Account Liability	4,369,090		4,369,090
Accrued Unfunded Annual and Compensatory Leave	16,178,474		16,178,474
Accrued Unfunded Workers' Compensation (Note 10)	11,704,536		11,704,536
Other Liabilities (Note 12)	973,107		973,107
<b>Total Liabilities not Covered by Budgetary Resources</b>	33,225,207		33,225,207
<b>Total Liabilities</b>	809,855,469	1,403,828	808,451,641
<b>NET POSITION</b>			
<b>Balances:</b>			
Unexpended Appropriations (Note 13)	68,371,322		68,371,322
Cumulative Results of Operations	121,276,648		121,276,648
<b>Total Net Position</b>	189,647,970		189,647,970
<b>Total Liabilities and Net Position</b>	\$ 999,503,439	\$ 1,403,828	\$ 998,099,611

See accompanying independent auditors' report.

# THE LIBRARY OF CONGRESS

## Consolidating Schedule - Net Costs

For the Year Ended September 30, 1998

<b>Net Costs by Program Area:</b>	<b>Combined</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Library Services:</b>			
Program Costs	\$ 219,977,200	\$ 5,209,339	\$ 214,767,861
Less Earned Revenue	4,992,209		4,992,209
Net Program Costs	<u>214,984,991</u>	<u>5,209,339</u>	<u>209,775,652</u>
<b>Law Library:</b>			
Program Costs	13,501,902	135,356	13,366,546
Less Earned Revenue			
Net Program Costs	<u>13,501,902</u>	<u>135,356</u>	<u>13,366,546</u>
<b>Copyright Office:</b>			
Program Costs	47,166,087	660,908	46,505,179
Less Earned Revenue	18,771,177		18,771,177
Net Program Costs	<u>28,394,910</u>	<u>660,908</u>	<u>27,734,002</u>
<b>Congressional Research Service:</b>			
Program Costs	89,635,698	1,254,622	88,381,076
Less Earned Revenue	68		68
Net Program Costs	<u>89,635,630</u>	<u>1,254,622</u>	<u>88,381,008</u>
<b>National Library Service for the Blind and Physically Handicapped:</b>			
Program Costs	46,216,778	104,352	46,112,426
Less Earned Revenue			
Net Program Costs	<u>46,216,778</u>	<u>104,352</u>	<u>46,112,426</u>
<b>Reimbursable Funds:</b>			
Program Costs	63,331,095	883,066	62,448,029
Less Earned Revenue	61,738,532	5,199,073	56,539,459
Net Program Costs	<u>1,592,563</u>	<u>(4,316,007)</u>	<u>5,908,570</u>
<b>Revolving Funds:</b>			
Program Costs	13,626,591	362,783	13,263,808
Less Earned Revenue	9,381,878	3,411,353	5,970,525
Net Program Costs	<u>4,244,713</u>	<u>(3,048,570)</u>	<u>7,293,283</u>
Costs not Assigned to Programs	522		522
Less Earned Revenue not Attributed to Programs	<u>(10,536)</u>		<u>(10,536)</u>
<b>Net Costs of Operations</b>	<u>\$ 398,582,545</u>		<u>\$ 398,582,545</u>

See accompanying independent auditors' report.

# THE LIBRARY OF CONGRESS

## Supplemental Schedule of Program Costs

For the Year Ended September 30, 1998

<b>Net Costs by Program Area:</b>	<b>Combined</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Library Services:</b>			
Intragovernmental			
Production	\$ 59,528,874	\$ 5,209,339	\$ 54,319,535
Non-Production	38,757		38,757
With the Public			
Production	160,354,467		160,354,467
Non-Production	55,102		55,102
Total Program Costs	219,977,200	5,209,339	214,767,861
<b>Law Library:</b>			
Intragovernmental			
Production	4,105,282	135,356	3,969,926
Non-Production	2,615		2,615
With the Public			
Production	9,394,005		9,394,005
Non-Production			
Total Program Costs	13,501,902	135,356	13,366,546
<b>Copyright Office:</b>			
Intragovernmental			
Production	13,250,347	660,908	12,589,439
Non-Production	18,780		18,780
With the Public			
Production	33,896,960		33,896,960
Non-Production			
Total Program Costs	47,166,087	660,908	46,505,179
<b>Congressional Research Service:</b>			
Intragovernmental			
Production	21,191,533	1,254,622	19,936,911
Non-Production	34,413		34,413
With the Public			
Production	68,409,752		68,409,752
Non-Production			
Total Program Costs	89,635,698	1,254,622	88,381,076
<b>National Library Service for the Blind and Physically Handicapped:</b>			
Intragovernmental			
Production	3,869,107	104,352	3,764,755
Non-Production	4,286		4,286
With the Public			
Production	42,343,385		42,343,385
Non-Production			
Total Program Costs	46,216,778	104,352	46,112,426
<b>Reimbursable Funds:</b>			
Intragovernmental			
Production	4,317,228	883,066	3,434,162
Non-Production	14,943		14,943
With the Public			
Production	58,998,924		58,998,924
Non-Production			
Total Program Costs	63,331,095	883,066	62,448,029
<b>Revolving Funds:</b>			
Intragovernmental			
Production	3,627,849	362,783	3,265,066
Non-Production	17,121		17,121
With the Public			
Production	9,981,621		9,981,621
Non-Production			
Total Program Costs	13,626,591	362,783	13,263,808
<b>Costs not Assigned to Programs</b>			
With the Public			
Production	522		522
Non-Production			
Total Program Costs	522		522

See accompanying independent auditors' report.

## **THE LIBRARY OF CONGRESS**

### **Stewardship Report**

#### **HERITAGE ASSETS**

September 30, 1998

#### **Library Collections**

The Library of Congress has the world's largest library collection comprising over 115 million items including research materials in over 450 languages and various media. The collections include approximately 27 million books and other printed materials, 50 million manuscripts, 12 million photographs, 4 million maps, 4 million pieces of music, 2 million audio recordings, and 803 thousand motion pictures. The collection of incunabula (books printed before 1501) is the largest in the Western Hemisphere, and the collections of maps, atlases, newspapers, music, motion pictures, photographs, and microforms are probably the largest in the world. Other collections include drawings, posters, prints, technical reports and other printed materials; computer programs, videotapes and disks, talking books, and other audio and visual materials. Each work day the Library adds approximately 10,000 items to its collections for use by the Congress and the nation.

The Library has the papers of 23 presidents of the United States as well as papers of people from many diverse arenas -- Susan B. Anthony, Sigmund Freud, Pamella and Averell Harriman, Henry Kissinger, Thurgood Marshall, Irving Berlin, and many others. The Library's treasures include one of three perfect copies in the world of the three-volume Gutenberg Bible printed on vellum, two of the five known copies of the Gettysburg Address, Thomas Jefferson's handwritten draft of the Declaration of Independence, and many other rare books and manuscripts including the oldest example of printing in the world. Also, new treasures are added each year.

The collections are organized into two major categories: the print collections which include classified books, serials, and pamphlets; and the special format collections such as maps, motion pictures, music, manuscripts, photographs, sound recordings, and prints.

#### **Collections Policy**

The Library's collections are universal and comprehensive in scope which builds from Thomas Jefferson's concept that Congress's own interests were universal; however, the Library does not collect everything or accession everything it receives. The collections

# THE LIBRARY OF CONGRESS

## Stewardship Report

development policy has evolved over the years. In 1814, Jefferson offered to sell his personal library to the Library Committee of Congress in order to "recommence" the Congressional library after the British burned the U. S. Capitol destroying the Library of Congress. Jefferson stated: " I do not know that it contains any branch of science which Congress would wish to exclude from their collection; there is, in fact, no subject to which a Member of Congress may not have occasion to refer." In 1815, President James Madison approved an Act of Congress appropriating \$23,950 for the acquisition of Jefferson's library of 6,487 volumes.

As set forth in the Library's Collections Policy Statements, the Library's collections development policies are directed towards its responsibilities to serve (1) the Congress and United States Government as a whole, (2) the scholarly and library community, and (3) the general public. Written collections policy statements assure that every effort is made to possess all books and 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 (except clinical medicine and technical agriculture, which are the responsibilities of the National Library of Medicine and National Agricultural Library respectively) embodying primarily in print form the records of other societies, past and present. The ideal of a universal collection has been aided greatly by the copyright law of 1870, which for the first time combined the registration and deposit functions in the Library of Congress 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. Copyright deposits are a major source of the Library's collections of Americana.

The Cataloging in Publication (CIP) Program is the other principal source of U.S. published books that the Library acquires. A mainstay of U.S. library service for more than twenty-five years, the program provides cataloging data, based on pre-publication galleys, to participating publishers who include the data in their published books. As participants, these publishers are required to submit a copy of the published book to the Library. This copy is in addition to the two copies mandated under the copyright law. In fiscal 1998, the Library obtained 51,181 titles through the CIP program. The Library also acquires U.S. publications through the Preassigned Card Number (PCN) Program. In fiscal 1998, the Library received 21,102 books for which the CIP division had provided a card number. The CIP and PCN titles are either added to the collections or used as part of the Library's exchange program.

The Library also acquires materials by purchase (essential publications not available through copyright deposit or the CIP program), transfer from other federal agencies, gift, domestic and international exchange, or by provisions of state and federal law. Many of these materials are

## **THE LIBRARY OF CONGRESS**

### **Stewardship Report**

foreign publications. The Library maintains six overseas offices and has arrangements with book dealers, agents, and publishers to ensure efficient and prompt acquisition of current foreign publications of research value on a world-wide basis. The following are brief descriptions of the Library's International Exchange and Federal transfer programs:

Among 11,000 exchange agreements, the Library of Congress maintains nearly 100 "official" exchanges with major national and parliamentary libraries around the world. These exchanges were instituted and are overseen by the Library; however, the Government Printing Office has the responsibility to ensure that this select group of exchange partners receives U.S. Government publications. Pursuant to 44 U.S.C. 1719, the Superintendent of Documents distributes U.S. government publications "to those foreign governments which agree, as indicated by the Library of Congress, to send to the United States similar publications of their governments for delivery to the Library of Congress." The Government Printing Office pays for the cost of this program from funds appropriated for the Superintendent of Documents. In fiscal 1998, the Library received approximately 110,000 items, or 35 percent of its exchange receipts, from these official central sources.

Pursuant to 36 C.F.R. 701.33, Federal libraries send their surplus materials to the Library for addition to its collections or to use in the exchange and surplus books programs. In fiscal 1998, the Library received more than one million items from Federal agencies, and, although only a very small number were selected for the collections, several thousand were used in exchanges with other libraries for materials needed by the Library of Congress. Many thousands of other Federal transfers were used in the Library's surplus books programs.

# THE LIBRARY OF CONGRESS

## Stewardship Report

The primary resources for recent acquisitions are as follows:

	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Annual Appropriations Authorized	\$ 8,127,000	\$ 8,458,000	\$ 8,458,000	\$ 8,458,000	\$ 9,619,000
Estimated Value of Copyright Deposits Transferred to the Library	\$15,711,000	\$20,158,594	\$20,157,816	\$25,183,884	\$26,991,776
Government Printing Office Appropriation (part of Superintendent of Documents) for International Exchange	\$ 712,000	\$ 462,000	\$ 509,000	\$ 537,000	\$ 444,000

Acquisitions by source:

<b>Source</b>	<b>Pieces 1994</b>	<b>Pieces 1995</b>	<b>Pieces 1996</b>	<b>Pieces 1997</b>	<b>Pieces 1998</b>
<b>Purchases:</b>					
Appropriated - GENPAC/LAW	799,110	714,127	707,695	522,040	676,287
Appropriated Other	197,970	146,828	145,418	38,267	55,303
Special Foreign Currency	66,081	65,827	54,888	55,090	47,294
Gift and Trust Funds	5,541	3,712	4,830	3,499	3,028
<b>Total Purchases</b>	1,068,702	930,494	912,831	618,896	781,912
<b>Non-Purchases:</b>					
Exchange	558,327	453,857	321,446	310,849	313,224
Government Transfers	727,874	732,087	443,599	486,280	538,611
Gifts	1,246,809	744,860	2,608,494	1,116,626	1,577,561
Cataloging in Publication/PCN	56,345	49,201	49,083	82,301	72,283
Copyright Deposits	757,082	855,022	739,582	862,207	845,826
<b>Total Non-Purchases</b>	3,346,437	2,835,027	4,162,204	2,858,263	3,347,505
<b>Total All Acquisitions</b>	4,415,139	3,765,521	5,075,035	3,477,159	4,129,417

# THE LIBRARY OF CONGRESS

## Stewardship Report

### Preservation and Conservation

The Library's collections are preserved and protected through an extensive and diverse preservation program. The budget element for preservation of materials totaled \$11 million in fiscal 1998. Preservation projects in process or under study are:

- ! the continuing application of a mass book deacidification technology to ensure uniform, effective deacidification of 172,000 books over the past three years; the goal is to deacidify and thus extend the useful life of an additional 75,000 books in fiscal 1999;
- ! the cleaning, stabilization for use, and repair of books, manuscripts, and photographs from the rare and special collections;
- ! the Preservation Heritage Assets Working Group established requirements for the environment, emergency preparedness, storage, handling, conservation, stabilization, and reformatting of all collections at all stages;
- ! the successful development of three new permanence and durability specifications for phased conservation supplies;
- ! progress toward fitting 29,000 ultraviolet filters to existing fixtures in the Library to reduce photon damage to special collections;
- ! successful completion of a Preservation Awareness Workshop, an information fair for LC staff, Congressional staff and the general public;
- ! accelerated aging and natural aging studies to determine the longevity of digital materials stored on CD-Rom.
- ! a new accelerated aging test for paper with preliminary evidence showing the close similarity between the aging process in this faster, replicable and less expensive test and natural aging paper;
- ! research in the chemistry of the aging of paper that shows that even acid-free, neutral paper degrades by producing acids which accumulate within the paper, causing it to deteriorate at an ever-increasing rate, thereby demonstrating the need for an alkaline reserve in paper objects that need to be preserved;

## THE LIBRARY OF CONGRESS

### Stewardship Report

- ! a study of the aging of bookbinding adhesives with preliminary evidence revealing that mass deacidification treatments benefit not only the paper in books, but also extend the life of book covering materials and adhesives used in binding them;
- ! development of specifications for pressure sensitive labels for attachment to book covers;
- ! guidelines for the preservation scanning of continuous tone printed black and white images are under development;
- ! completing the statement of work for an RFQ for the digital reformatting of *Garden and Forest*, “a journal of horticulture, landscape art, and forestry”, published weekly from 1888-1897;
- ! collaboration with Cornell University to microfilm six Vietnamese newspaper-format periodicals after merging incomplete holdings from both institutions;
- ! completion of microfilming long runs of two important carriage and early automobile periodicals Carriage Monthly (Apr. 1915-Nov. 1921) and The Hub (May 1869-March 1919);
- ! contracting for the reformatting of out-of-print deteriorating volumes to archival quality paper in preservation quality bindings and renewing the contract for work to be performed in 1999.

# THE LIBRARY OF CONGRESS

## Stewardship Report

Preservation statistics for fiscal 1998 are as follows:

<b>Treatment:</b>	
Volumes treated	6,468
Unbound items treated, paper-based	2,278
Commercial library binding, volumes	235,446
Mass Deacidification, Volumes (3rd contract year)	80,000
<b>Housing/Rehousing:</b>	
Protective boxes constructed	8,630
Items rehoused, paper-based	16,957
Discs, film (reels), magnetic tape (reels/cassettes) cleaned, packaged	5,243
<b>Copying/Reformatting:</b>	
Preservation photocopying	317
Paper-based materials converted to microfilm, items (1,896,577 exposures)	18,594
Audio materials converted to magnetic tape, titles	2,580
Video materials converted to magnetic tape, titles	1,200
Motion picture films converted, reels (1,191,399 feet)	1,463
<b>General Preservation of the Collections:</b>	
Items surveyed, paper-based	12,813
Pieces labeled	155,613

**Deacidification of Printed Materials** - One of the most serious preservation issues facing the Library of Congress, and all libraries, is the problem of brittle, deteriorating books caused by acid introduced during the paper manufacturing process in the 19<sup>th</sup> Century. The Library of Congress has an estimated 17 million books that are printed on acidic paper. Many of these books (not including duplicates or volumes that are already too brittle to benefit from treatment) may eventually require deacidification treatment at an estimated cost of \$13.40 per book - \$15.25, including shipping, quality controls, etc. (1998 contract cost).

The acidic books problem began in the mid-1800's when acidic wood pulp was substituted for rags in the manufacture of paper. This manufacturing change has resulted in the natural deterioration of printed books and other Library materials made from the acidic paper. The pages of the books and materials become so brittle within a few decades that they can virtually self-destruct.

The Library, with strong support from the U.S. Congress, has provided leadership in the development and evaluation of deacidification processes on a mass scale and their application

## THE LIBRARY OF CONGRESS

### Stewardship Report

to increasingly larger volumes of books and other paper-based items to achieve economies of scale. In 1995, the Library awarded an initial two-year mass deacidification contract to Preservation Technologies (a Pennsylvania company) that uses the Bookkeeper III deacidification process. In fiscal 1996, for the first time since the Library began its search for a mass deacidification process, it moved beyond testing and began to deacidify books from the Library's collections. Fiscals 1995-97 limited-production contract enabled the Library to deacidify 92,000 books from the general and special collections and the Law Library. Through a competitive process, the Library has now negotiated a second contract for deacidification, effective from November 1998 through October 2001. This contract, likewise utilizing the Bookkeeper process, has resulted in an additional 80,000 books being treated in fiscal 1998. The Library expects to save 75,000 more books in fiscal 1999 through application of this preservation technology.

Recognizing the limited resources and technical capacity to deacidify all of the books, the selection process encompasses several criteria. By lengthening the life span of a book, deacidification enables the Library to avoid costly reformatting (such as microfilming) in the future. Also some collections are selected to ensure continued access to information that is not a high priority for digitization. Other criteria used individually or in combination to identify collections for deacidification include: 1) potential future use of the materials; 2) value of materials, both intrinsic and other; and 3) physical condition.

Deacidification treatment is reserved for books that are acidic and at risk of loss if no action is taken. Due to its role as the national library and the official library of the U.S. Congress, the Library is focusing primarily on selection of "Americana" for early treatment under the mass deacidification program, emphasizing the selection of endangered volumes from collections that are central to the Library's mission, such as law, history, literature, and political science.

**Preservation of Audio/Video Materials** - Another serious issue facing the Library is the preservation of its magnetic media materials (audio, video, and data). As magnetic materials age they can develop any one of a number of conditions, all of which eventually result in an inability to play them, which means that the data they contain can never be retrieved. The physical life span of these materials is generally considered to be 20-30 years, under good conditions. The Motion Picture, Broadcasting, and Recorded Sound Division (M/B/RS) alone has more than 725,000 tapes, some dating from the 1940s. Conversion rates for these materials are shown on the Preservation Statistics chart. Ancillary to the deterioration of magnetic materials is the difficulty of maintaining appropriate play-back systems for them. For example, video tape can be played back only on the system in which it was created. Since over 200 record and playback systems have been produced since the invention of video tape, the Library cannot maintain them all. At present the Library uses 12 of the most common

## THE LIBRARY OF CONGRESS

### Stewardship Report

systems -- 6 playback and record systems and 6 playback only systems. As part of its preservation approach to magnetic materials, the Library is conducting a condition survey to estimate the environmental, housing, and physical condition of its holdings. A study entitled, "A Unified Strategy for the Preservation of Audio and Video" was completed in August 1997.

**The National Film Preservation Board** - The National Film Preservation Board, originally established by the National Film Preservation Act of 1988 (2 U.S.C. 179b et seq.) serves as a public advisory group to the Librarian of Congress. The Board consists of 40 members and alternates representing the film industry, archives, scholars, filmmakers and others who make up the diverse American motion picture community. As its primary mission, the Board works to ensure the survival, conservation and increased public availability of America's film heritage, including: advising the Librarian on the annual selection of films to the National Film Registry, counseling the Librarian on development and implementation of the national film preservation plan, and the national television and video preservation plan which was completed in 1997.

In October 1996, President Clinton signed into law "The National Film Preservation Act of 1996" (Public Law 104-285). This landmark legislation 1) reauthorizes the National Film Preservation Board for seven years, and 2) creates the independent, private sector National Film Preservation Foundation to serve as a public-private partnership for film preservation. The Foundation will raise private funds (both cash and in-kind contributions), match these with a limited amount of federal funds, and provide grants to motion picture archives, historical societies, and other non-profit institutions with film collections throughout the nation. Grants will focus primarily on "orphan" films--works not controlled by Hollywood studios, such as independent and silent films, newsreels and documentaries, films directed by or about minorities, and films of regional or historical importance. Such films have great cultural and educational value, but possess little commercial viability and will not survive without public intervention. The Foundation is now incorporated and can receive donations.

**Nitrate Film Preservation** - The nitrate base used by the commercial film industry between 1893 and 1951 was inherently unstable. The rate of deterioration is unpredictable but is significantly influenced by previous and current storage conditions. Materials kept at a low constant level of temperature and humidity since the date of manufacture can last for a long time, but poorly stored material deteriorates very quickly.

The Library has 120 million feet of nitrate film in its collection of which between 40 and 60 million still need to be preserved. The Library's Motion Picture Conservation Center in Dayton, Ohio, is specifically staffed and equipped to undertake the copying of nitrate onto 35mm acetate film which, if stored correctly immediately after duplication, will not suffer

## **THE LIBRARY OF CONGRESS**

### **Stewardship Report**

significant decomposition. At present, staffing levels permit the Library to copy just over one million feet per year. This rate will not present a long-term problem if the Library can update its existing nitrate storage facilities to meet the generally accepted archival environmental recommendations of 37 degrees Fahrenheit and 25 percent relative humidity.

The establishment of a National Audio-Visual Conservation Center was authorized on December 15, 1997 (Public Law 105-144). The law authorizes the Architect of the Capitol (AOC) to acquire, on behalf of the Library, 41 acres located in Culpeper, Virginia. The property has a 140,000 square foot building that will be renovated and has expansion space for additional buildings to provide proper storage and preservation facilities for the Library's extensive motion picture, television, video, radio, and sound recording collections. In August 1998, the Library began storing reels of film at the new facility. The Library and the AOC worked with the Packard Foundation, the donor of the center, to renovate and make it available for full use. A due diligence analysis was started in February 1998 and completed in May 1998. Also, the renovation and development master plan for the site was completed on September 30, 1998.

### **Service**

The Library of Congress is a public institution open to everyone over high school age, with limited exceptions. Its collections are available to users in numerous public reading rooms located in three Library buildings on Capitol Hill. The Library's first service priority is to the Congress; second, to other branches of the Federal government; and third, to scholars, other libraries and the general public. The Library is not a lending library. Only members of Congress and other statutory borrowers are authorized to remove materials from the Library. For selected other users--primarily other libraries--the Library is considered a "library of last resort," meaning that certain materials may be distributed through interlibrary loan only if the needed materials are not otherwise available in the United States.

To use Library collections, researchers identify the items they want through card and on-line catalogs, finding aids, and bibliographies. To request items, readers first register with photo-identification, and then may submit call slips to the staff, who retrieve the items from the secured collections storage areas and deliver them to the reader. In addition, the Loan Division is responsible for retrieving, packaging, and preparing loan charge records for materials that circulate outside the Library. In fiscal 1998, the Library served over two million items in the Library. It also circulated over 30,000 items to Congressional borrowers and over 97,000 items to other authorized borrowers.

# THE LIBRARY OF CONGRESS

## Stewardship Report

### Collections Security

In fiscal 1998, major advances in collections security were achieved. Highlights of these accomplishments are summarized below:

The Library aggressively implemented actions outlined in the October 1997 Security Plan, focusing on those whose cumulative impact will significantly enhance collections security Library-wide. The Collections Security Oversight Committee (CSOC) is charged with implementing the Security Plan.

- CSOC's Subcommittee on Collections linked the one third unmet minimal standards with the Library's Planning, Programming, Budgeting, and Execution System (PPBES). By developing three Management Decision Packages (MDEPs) subsequently approved by the Executive Committee, the subcommittee composed of representatives from Library Services, the Copyright Office, and the Law Library essentially completed actions 01-08 and 10 depicted in the plan's schedule. This initiative demonstrates that the Plan offers an effective framework for addressing core security requirements, and integrating these needs within the Library's PPBES. The Library included these collections security requirements in its fiscal 2000 budget request to the Congress.
- Two CSOC working groups successfully tested the feasibility of integrating bibliographic, inventory, and preservation control standards using the matrix developed in the October 1997 plan to create and tailor requirements in these three control environments to the four cycles as appropriate. By completing action 09 of the plan, the CSOC working groups have developed minimum standards for preservation, bibliographic, and inventory controls. Achieving this milestone enables the Library to strengthen its control over the Heritage Assets, mirror the approach to security applied by the Heritage Assets auditors and risk assessments, and create a common framework for addressing collections security Library-wide. Application of these grids within the divisions will inevitably surface additional critical unmet minimal standards for preserving, cataloging, and inventorying the Library's collections.
- The CSOC's Subcommittee on Operations initiated the development of measures to enable the EC to track the Library's progress in reducing the risk of theft and mutilation of the collections. The Director of Security has led this initiative in collaboration with the Office of the Inspector General, senior staff from Library Services, Copyright Office, and the Law Library. Actions taken in fiscal 1998 will allow the Library's senior leadership to review options and costs associated with the design and execution of random sampling

# THE LIBRARY OF CONGRESS

## Stewardship Report

plans which over time will yield baselines from which the effectiveness of physical security controls can be assessed. This initiative fulfills requirements outlined in action number twelve of the plan's schedule.

- The Director of Security, in collaboration with the CSOC and Public Affairs Office, implemented several security awareness initiatives as called for in actions 19, 20 and 22 of the plan's schedule. These initiatives included the publication of articles in *The Gazette* and the *LC Information Bulletin*, as well as several "Town Hall" meetings where the Director of Security discussed collections security issues with employees from throughout the Library.
- The Library completed surveys of the feasibility of marking selected Treasures and the effectiveness of Loading Dock operations, addressing actions 14 and 16 of the plan's schedule.
- The Library completed a draft update of the fiscal 1999 Security Plan in September 1998. The plan which will be published in January 1999 addresses numerous initiatives whose implementation began in fiscal 1998. The subcommittees have been meeting since September and implementing the collections security actions, though the plan's publication has been delayed pending resolution of physical security issues now being addressed with congressional appropriations subcommittee staffers.
- A permanent implementing structure established in the draft fiscal 1999 plan has been addressing collections security issues since September 1998. Conveners of four standing subcommittees are accountable for implementing the integrated schedule of actions outlined in the draft plan. The DS selected the conveners in coordination with appropriate service unit heads. The four subcommittees are responsible for the following critical path of actions:

**Subcommittee on Policy and Standards** - Included among its tasks are developing LCRs relating to collections security; developing compliance policies for the platinum and gold collections; refining minimum standards and control definitions as circumstances require; and preparing plans covering the other security disciplines—preservation, bibliographic, and inventory controls.

**Subcommittee on Operations** - Included among its tasks are developing and monitoring measures and trends of theft and mutilation; assessing the effectiveness of security controls in place; following up on recommendations of completed risk assessments by outside contractors; and ensuring adherence to security practices throughout the Library.

# THE LIBRARY OF CONGRESS

## Stewardship Report

**Subcommittee on Public Affairs, Staff Relations, and Training** - Included among its tasks are orchestrating sustained coverage of collections security in the Library's publications; organizing a Symposium on collections security as part of the Library's Bicentennial celebration; conducting liaison with U.S. and foreign counterparts; and enhancing collecting security awareness among staff and visitors.

**Subcommittee on Planning, Programming and Budgeting Execution** - Included among its tasks are implementing actions associated with the development of Management Decision packages (MDEPs) in the context of the Library's Planning, Programming, Budgeting, Execution and Evaluation System (PPBEES); and developing cost requirements for various programs involving support from the AOC.

Initiatives in fiscal 1998 included the following outer ring physical security upgrades:

**Physical Security Core Requirements** - In the wake of the July 1998 Capitol shootings, and two U.S. Embassy bombings in Africa a month later, the Library installed and activated new state-of-the-art magnetometers and increased police presence at public entrances, the Madison Loading Dock, and garage ramps. In addition, the Library prepared an emergency supplemental budget request for major physical security improvements including: the consolidation of the two police command centers; integration and upgrading of intrusion detection systems; increased police staffing, additional exterior closed circuit television monitoring equipment; improved access control including vehicle barriers, curb walls, perimeter bollards, and secure police shelters; modification of building entrances for full entry screening; and improved exterior lighting.

**Police Equipment Upgrades** - Police now use body armor; their weapons have been upgraded, and the Library initiated a program modernizing police radios in line with those used by other forces in the metro area.

**Exhibit and Reading Room Support** - the Office of Security provided significant support to the Interpretive Programs Office including the installation of extensive electronic and physical security controls and the placement of security guards to protect the Top Treasures, Religion, and Freud exhibits. Security guards have also been placed in the Main Reading Room.

## **THE LIBRARY OF CONGRESS**

### **Stewardship Report**

The Library completed the following additional physical security and procedural controls in fiscal 1998, further strengthening its controls over the Heritage Assets:

- ▶ The Library installed book theft detection targets in 891,342 volumes in classes H and S in the general collections and incoming materials in the Copyright Office. Since 1992, the program's inception, 5,796,778 targets have been installed with the cumulative total covering 49% of the general collections.
- ▶ The Office of Security installed new video surveillance cameras in the Main Reading Room, adjacent stairways, and the public decks off the Main Reading Room.
- ▶ The Office of Security also installed video monitors at the Center Desk in the Collections Management Division Office, the office of the Head, Book Service Section, and several locations in the Humanities and Social Sciences Reading Room.
- ▶ The Library opened an expanded cloakroom in the Jefferson Building in June 1998, and imposed personal belongings restrictions on readers using the Main Reading Room on June 15, 1998.
- ▶ The Library issued reader identification cards to 46,209 researchers registered in fiscal 1998.

### **Arrearage Reduction**

An important priority of the Library is establishing bibliographic control over the collections to increase their accessibility and, at the same time, their security. In 1989, an inventory of unprocessed materials determined the backlog (arrearage) to be 39.7 million items. During the past nine years, the Library has put forth an extensive effort to reduce the cataloging arrearage and bring all the collections under bibliographic control. At the beginning of fiscal 1998, the arrearage, mostly in non-book formats, comprised 20 million items. This figure was reduced by nearly one million items during the fiscal year. Arrearage statistics for fiscal 1998 are as follows:

# THE LIBRARY OF CONGRESS

## Stewardship Report

<b>Items in Arrearage</b>	<b>1997</b>	<b>1998</b>	<b>Change</b>	<b>Percent Change</b>
Print Materials	543,247	1,042,054	498,807	91.8
Special Materials	19,408,958	18,048,603	(1,360,355)	(7.0)
<b>Total</b>	<b>19,952,205</b>	<b>19,090,657</b>	<b>(861,548)</b>	<b>(4.3)</b>

## Financial Reporting

The Library's collections are classified as "Stewardship Property" and are defined as "Heritage Assets" for financial reporting purposes. The Federal Accounting Standards Advisory Board (FASAB) standard on stewardship reporting requires that heritage assets be reported as required supplementary information accompanying the financial statements of the Federal Government and the component units of the Federal Government responsible for such assets.

The Supplementary Stewardship Reporting standard has been accepted by the FASAB principals (the General Accounting Office, The Office of Management and Budget, and the Department of Treasury) as an accounting standard, and is effective for all executive branch agencies in fiscal 1998. The Library has adopted the FASAB standards to the extent appropriate for a legislative agency and has chosen to prepare the Stewardship Report for the years 1995 through 1998.

The FASAB recommended standard states that the costs of the stewardship-type resources shall be treated as expenses in the financial statements in the year the costs are incurred. However, the costs and resultant resources are intended to provide long-term benefits to the public and should be included in stewardship reporting to highlight to the reader their long-term benefit nature and to demonstrate accountability over them. The standard states that heritage assets shall be quantified in terms of physical units (for example, number of items in collections or the number of national parks). No asset amount shall be shown on the balance sheet of the Federal financial statements for heritage assets.

The quantities of items in the Library's collections shown in the table that follows were taken from Library statistics collected on a regular basis and records that were accumulated over the years.

# THE LIBRARY OF CONGRESS

## Stewardship Report

### Estimated Quantity of Each Category of Collection Materials at September 30, 1998

Category of Collection	Beginning of Year Balance	Added During Year	Withdrawn During Year	End-of Year Total	Method of Acquisition and Withdrawal
Print Collections - Classified Books	17,402,100	374,570	4,270	17,772,400	Acquisitions: Copyright deposits, purchase, gifts, exchanges, cataloging-in-publication Withdrawals: exchange & gift of unwanted or duplicate copies; depreciation or depletion through use; disposals through GSA
Other Print Materials - includes books in large type, newspapers, pamphlets, technical reports, incunabula, serials, etc.	9,308,101	81,166	9,876	9,379,391	
<b>Total Print Collections</b>	26,710,201	455,736	14,146	27,151,791	
Other Collections - includes audio materials, talking books, books in raised characters, manuscripts, maps, microforms, music, visual materials (moving images, posters, photographs, photocopies, prints & drawings, etc.), and machine readable materials	86,316,541	2,139,832	102,469	88,353,904	Acquisitions: Copyright deposits, purchase; exchange and gift Withdrawals: exchange & gift; depreciation or depletion through use; or disposals through GSA.
<b>Total Collections</b>	113,026,742	2,595,568	116,615	115,505,695	

# THE LIBRARY OF CONGRESS

## Stewardship Report

### ADDITIONS TO THE COLLECTIONS ITEMS

Print Collections	Beginning	Added	Withdrawn	Total
<b>Classified Book Collections</b>				
Class A (General Works)	417,430	3,556	0	420,986
Class B-BJ (Philosophy)	291,185	12,837	0	304,022
Class BL-BX (Religion)	641,779	18,463	0	660,242
Class C (History, Auxiliary Sciences)	243,722	6,217	0	249,939
Class D (History, Except American)	1,166,661	24,191	0	1,190,852
Class E (American History)	262,495	6,432	0	268,927
Class F (American History)	418,231	11,726	0	429,957
Class G (Geography, Anthropology)	402,533	13,248	192	415,589
Class H (Social Sciences)	2,689,573	46,095	0	2,735,668
Class J (Political Science)	772,830	11,439	0	784,269
Class K and Law (Law)	2,107,974	68,443	4,012	2,172,405
Class L (Education)	497,986	8,179	0	506,165
Class M (Music)	613,226	8,489	64	621,651
Class N (Fine Arts)	470,807	15,076	0	485,883
Class P (Language and Literature)	2,321,789	47,090	2	2,368,877
Class Q (Science)	1,081,207	22,951	0	1,104,158
Class R (Medicine)	456,564	11,315	0	467,879
Class S (Agriculture)	410,102	7,204	0	417,306
Class T (Technology)	1,236,174	20,195	0	1,256,369
Class U (Military Science)	197,505	2,880	0	200,385
Class V (Naval Science)	103,213	1,420	0	104,633
Class Z (Bibliography)	599,114	7,124	0	606,238
<b>Total Classified Book</b>	<b>17,402,100</b>	<b>374,570</b>	<b>4,270</b>	<b>17,772,400</b>
<b>Other Print Materials or Products</b>				
Books in large type	8,681	0	0	8,681
Books in raised characters	70,750	1,236	0	71,986
Incunabula	5,694	4	0	5,698
Minimal-level cataloging (monographs and serials)	532,858	24,880	0	557,738
Newspapers (bound)	34,792	0	4,222	30,570
Pamphlets	263,376	2,500	301	265,575
Technical reports	1,409,434	15,075	5,353	1,419,156
Other	6,982,516	37,471	0	7,019,987
<b>Total Other Print Material</b>	<b>9,308,101</b>	<b>81,166</b>	<b>9,876</b>	<b>9,379,391</b>
<b>TOTAL PRINT COLLECTIONS</b>	<b>26,710,201</b>	<b>455,736</b>	<b>14,146</b>	<b>27,151,791</b>

# THE LIBRARY OF CONGRESS

## Stewardship Report

Other Collections	Beginning	Added	Withdrawn	Total
Audio materials	2,338,353	50,118	68,397	2,320,074
Talking books	51,814	2,123	0	53,937
Manuscripts	49,147,855	1,534,457	151	50,682,161
Maps	4,451,790	60,150	30,606	4,481,334
Microforms	11,767,481	407,215	3,200	12,171,496
Music	4,110,025	17,543	0	4,127,568
Visual material				
Moving images	772,104	31,058	85	803,077
Photographs (negative, prints, and slides)	11,908,937	24,254	0	11,933,191
Posters	82,628	1,881	0	84,509
Prints and drawings	393,044	4,723	0	397,767
Other (broadsides, photocopies, nonpictorial material, etc.)	1,256,313	55	0	1,256,368
Machine-readable material	36,197	6,255	30	42,422
<b>TOTAL OTHER COLLECTIONS</b>	<b>86,316,541</b>	<b>2,139,832</b>	<b>102,469</b>	<b>88,353,904</b>
<b>TOTAL (items)</b>	<b>113,026,742</b>	<b>2,595,568</b>	<b>116,615</b>	<b>115,505,695</b>

**THE LIBRARY OF CONGRESS  
MANAGEMENT REPORT ON INTERNAL CONTROLS  
OVER FINANCIAL REPORTING**

**Fiscal Year Ended September 30, 1998**

The Library of Congress has a complex and diversified financial management system which includes a central system, 7 subsidiary systems, and 9 program systems. The system manages 5 appropriations, 142 gift funds, 87 trust funds, and 13 revolving funds. Although the Library of Congress, a legislative agency, is not required to comply with the Federal Financial Managers' Integrity Act (FMFIA), the Government Management and Reform Act (GMRA) or the Chief Financial Officers Act (CFO), it has chosen to follow these Acts in a manner consistent with a legislative agency in order to fulfill its internal control objectives.

The Library's financial management policy, LCR 1510, requires regular internal control reviews by its program and subsidiary system managers. Criteria applied in these reviews are based on the internal control standards and financial systems standards presented in Appendices 2 and 3 of Title 2 of the GAO's Policy and Procedures Manual for Guidance of Federal Agencies. Library management evaluates the responses to these reviews, as well as information provided by the Library's Inspector General and by independent auditors to determine the extent of compliance with the following internal control objectives over financial reporting.

- ▶ Assets are safeguarded against loss from unauthorized acquisition, use or disposition
- ▶ Transactions are executed in accordance with laws governing the use of budget authority and with laws and regulations that could have a direct and material effect on the consolidated financial statements
- ▶ Transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements and to maintain accountability for assets.

This report on financial controls does not address safeguarding of the Library's collection (heritage) assets. A separate management report on the collections is presented at 5-3.

Financial managers are advised that the concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived therefrom, and errors or irregularities may occur and not be detected because of inherent limitations in any system of internal control. Managers are cautioned to take all necessary measures to ensure that the limited reviews are conducted in a thorough and conscientious manner and internal control objectives, as described in the accompanying guidelines, were achieved within the limits prescribed. Any deficiencies are disclosed with recommended plans and schedules for correcting such deficiencies.

The Library evaluated its internal controls for fiscal 1998 on the basis described above and identified the following deficiencies:

- ▶ **Security practices and certain other controls over information systems are inadequate.** The following weaknesses were present during fiscal year 1998 and require further actions to correct: Logical access controls do not sufficiently restrict access, segregation of duties is not adequately addressed in all areas, and software development and change controls need improvement.
- ▶ **The Library lacks a business continuity plan.** The Library has initiated business continuity planning, but key elements are not completed.

Because internal control weaknesses existed during some part of fiscal 1998, we cannot provide reasonable assurance that the Library's internal controls over financial reporting at September 30, 1998, met the objective that assets are safeguarded against loss from unauthorized acquisition, use or disposition.

We believe internal controls over financial reporting were effective at September 30, 1998, in providing reasonable assurance for the following two objectives: (1) transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements and to maintain accountability for assets; and (2) transactions were executed in accordance with laws governing the use of budget authority and with other laws and regulations that could have a direct and material effect on the consolidated financial statements.

## **THE LIBRARY OF CONGRESS CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated statements report the financial position, operations, and changes in net position and the combining statement reports the budgetary resources of the Library for fiscal year 1998. The basis of accounting used for these statements is described in the notes to the statements. While the Library is not subject to the Chief Financial Officers Act of 1990 or FMFIA, it is committed fully to the principles and objectives of both Acts and has elected to comply with their requirements in a manner consistent with a legislative agency.

The audit of the Consolidated Financial Statements was performed by the independent auditors, Clifton Gunderson L.L.C. The independent auditors' report on the Consolidated Balance Sheet, Consolidated Statement of Net Costs, Consolidated Statement of Changes in Net Position, Combining Statement of Budgetary Resources, internal controls, and compliance with certain laws and regulations is included in Section 6 of this report.

---

John D. Webster  
Director, Financial Services

---

Donald L. Scott  
Deputy Librarian of Congress

---

James H. Billington  
Librarian of Congress

**THE LIBRARY OF CONGRESS  
MANAGEMENT ASSERTION ON CONTROLS FOR THE COLLECTIONS**

**Fiscal Year Ended September 30, 1998**

The purpose of this section is to assert management opinion about the effectiveness of the Library of Congress' internal control structure for the collections.

**Preamble -- the Mission of the Library of Congress**

A major mission of the Library of Congress is to acquire, preserve, and make maximally accessible the intellectual and information heritage of the United States and, to the degree desirable, the world. The Library serves, in priority order: the Congress; other branches of the government; other libraries and archives; researchers; and the general public. It is custodian of over 115 million items, in over 450 languages and in the following formats: monographs and serials; manuscripts; prints, posters, and photographs; maps, atlases and globes; music manuscripts and scores; motion pictures, broadcasting and recorded sound; rare books; microforms; machine readable formats; and digital files. It makes these materials available to Congress and other government entities through loans; to the research public in its reading rooms on Capitol Hill and through interlibrary loan; and to the general public through the National Digital Library and such outreach programs as exhibitions, publications, videos, CDs, and tapes.

The Library of Congress, as the nation's library of last resort, has a special obligation to acquire comprehensively the creative and intellectual legacy of this nation; to secure and preserve those items for present and future generations; and to make these items as available as possible and prudent to its constituents, primarily Congress, other branches of government, and the research community. Achieving and maintaining the proper balance among preservation, security, and access is a dynamic and challenging process, faced by all libraries and archives. The process is influenced by the changing demands of the users, the development of technological and other means for accessing, preserving, and securing collections, and the judgment of management about the equilibrium itself. Maintaining an equilibrium in the midst of change is in turn influenced by the financial and personnel resources the Library has, through appropriations and other sources, to invest in acquiring, preserving, securing, and serving the Heritage Assets which comprise not only the Library's holdings, but in fact the official record of the history and creativity of the American people throughout its history.

**The risks to the national collections are: not acquiring and organizing materials that are critical to the continued development of the research collections that meet the needs of Congress and the research community; not preserving the collections from the physical degradation inherent in each of the various media the Library holds and from deterioration through use; and the theft, mutilation, or accidental loss of the items in the collection.**

In the course of its nearly two hundred-year history, the Library has provided outstanding service to the Congress and has over time added service to other constituencies -- the Executive and Judicial Branches, the library and academic communities of America, and the general public -- while continuing to make service to Congress its first priority. With time the risks to the collections have increased -- for example, the introduction of wood pulp (i.e., highly acidic) paper in the mid-nineteenth century and a variety of unstable media in the twentieth (nitrate film stock, wax cylinders, audio tape, and digitization etc.) have presented the Library with a number of preservation challenges. In addition, as the Library has striven to serve a wider audience and as the collections have grown, the risk of theft, mutilation, and accidental damage through handling has become more serious. Though this problem has always been widely recognized and conscientiously addressed within the special format materials such as manuscripts and rare books, it was only in this decade that the Library took serious recognition of the extent to which the same problem afflicted the general collections (i.e., books and serials published after 1800).

And while the Library has, within the past one hundred years, built three special library buildings on Capitol Hill for storage and service of the collections and acquired space for special storage in Ohio, Pennsylvania, Virginia and Maryland, the physical plant has not kept pace with the growth of the collections and their demand for a controlled environment to slow inherent physical degradation. In order to ensure continued excellent service to Congress and to document the history and creativity of the American people, the Library has been zealous in fulfilling its obligation to sustain a comprehensive collection base, even, at times, when that accumulation of items for the collections might outstrip the Library's ability to preserve, secure, and gain bibliographical control of the collection in as timely fashion as the Library would have liked. While this has been a conscious decision on the part of management -- without acquiring appropriate collections as they become available, the Library has no chance of fulfilling its most fundamental mission to Congress and the nation -- the result has led to a cataloging backlog, inadequate storage, and insufficient security in some areas.

The Library of Congress recognizes these problems and has taken substantial steps to address them. It established the Preservation Directorate in 1967. It began an aggressive assault on the uncataloged backlog in 1989 when it launched its Arrearage Reduction effort. And in 1992, it took the unprecedented step of closing its book stacks to the general public altogether and to its own staff for all purposes not directly related to their duties; and began the systematic upgrading of security in all its reading rooms and installation of perimeter security of the collections. For almost a decade the Library sought additional space and resources for secondary storage and film and audio preservation facilities. In December 1997, the Congress authorized the acquisition of space in Culpepper, Virginia owned by the Federal Reserve Bank of Richmond to be used as the National Audio-Visual Conservation Center. This center is projected to be sufficient to house all the Library's AV collections for the next 25 years. The Congress has approved the management development plan for the Center which enables full occupancy no later than 2005. During fiscal year 1998, 100,000 reels of moving image materials were moved to the Center.

## MANAGEMENT ASSERTION

We confirm, to the best of our knowledge and belief, the following:

- 1) We are responsible for establishing and maintaining the internal control structure for the collections;
- 2) We have assessed the effectiveness of the Library of Congress' internal control structure over safeguarding of assets (collections) against unauthorized acquisition, use, or disposition, compliance with law and regulations, and financial reporting based upon control criteria established. Those control criteria include: bibliographical controls, inventory controls, preservation controls, and physical security controls. Specific controls over items depend upon the individual format, demand for and conditions of use, and the value and risk assessment for that item.

**Bibliographical controls** include but are not limited to: cataloging, archival processing, and arrears reduction.

**Inventory controls** include but are not limited to: the automated circulation control system; manual shelf list; finding aids and other detailed descriptions; and registry of items lent for exhibition.

**Preservation controls** include but are not limited to: use of surrogates (digital, microform, service copies of audiovisual materials); collections care programs; disaster preparedness; Top Treasures security; de-acidification; conservation of individual items; preservation treatment of processed items; preservation research and testing program to define actions for deacidification, storage, audio preservation, studies of longevity of new digital media, etc.; and special Congressionally-mandated preservation programs such as the National Film Preservation Board and American Television and Radio Archive.

**Physical security controls** include but are not limited to: perimeter security (e.g., theft detection devices); secured receiving and holding areas for materials not yet accessioned into the research collections, including the Copyright Office; secured in-process working and holding areas; storage areas closed to the public and all staff except those who require daily access in order to perform their jobs; reader registration; security in reading rooms (cameras, police patrols, etc.); caging high risk collections; and secured loan stations.

- 3) Providing access to our collections inevitably puts them at risk and could impair the Library's ability to serve Congress and other users in the future. **However, the collections exist to be used, and management accepts the responsibility of mitigating**

**risk to the collections at the same time that it fulfills its mission of service to Congress and the nation.** While we have aggressively addressed deficiencies in bibliographical, inventory, preservation and security controls in the past fiscal year, our assessment of internal controls identified the following material weaknesses which could adversely affect the Library's ability to meet its internal control objectives, and, as a result, we cannot provide reasonable assurance that the internal control structure over safeguarding the Heritage Assets against unauthorized acquisition, use, or disposition, was completely effective as of September 30, 1998. Moreover, while the Library has an extensive series of controls in all four areas of risk and while we began in 1997 and continued in 1998 to conduct a systematic assessment of risks to the Heritage Assets, we cannot assert without qualification that the controls in place are adequate and appropriate to mitigate the risks until we have completed the risk assessment. That assessment is underway; it and the implementation of the collections security plan will significantly increase the security of the Heritage Assets.

**Bibliographical controls:** As of September 30, 1998, the Library had reduced the arrearage count to 19,090,657 items from the 1989 benchmark number of 39.7 million -- a decrease of 51.9 percent, at the same time that we have kept current with new acquisitions. However, arrearage reduction staff has suffered severe attrition due to budget cutbacks, so that our projected goal of 80 percent reduction of backlog by 2000 will not be met before 2005.

**Inventory controls:** The 12 million card shelflist of printed books exists in manual form only, which hampers the Library's ability to track the exact location of any given cataloged item. Plans for an automated shelflist are completed and have been integrated into the Library-wide implementation of the Integrated Library System (ILS) which will also include inventory control over in-process (i.e., not fully cataloged or processed) items.

**Preservation controls:** the Library has inadequate temperature and humidity control in some collections storage areas; inadequate space for appropriate storage of collections materials; insufficient space for reformatting the acetate negative collection; insufficient funds for reformatting. These conditions cannot be fully addressed with current funds and physical plant. The development of a collections storage facility at Fort Meade, Maryland is expected to remedy many of these difficulties for books and paper based materials, and the acquisition of the National Audio-visual Conservation Center is a major step in the preservation of film and other media.

**Physical security controls:** In fiscal year 1998 the Library sustained major advances in collections security. The Library aggressively implemented actions outlined in the October 1997 Security Plan, focusing on those whose cumulative impact will significantly enhance collections security. In collaboration with the

Collections Security Oversight Committee (CSOC), the Director of Security linked the one third unmet minimum standards with the Library's Planning, Programming, Budgeting, and Execution System (PPBES). The Executive Committee approved three Management Decision Packages (MDEPS) addressing Reader Registration, Contract Security Monitors in Reading Rooms, and Marking and Tagging Library Materials for inclusion in its fiscal year 2000 budget request. The Library has also integrated its preservation, bibliographic, and inventory control measures within the security planning framework presented in the 1997 Plan. The Director of Security, again in collaboration with CSOC, initiated the development of measurements to enable the Executive Committee to track the Library's progress in reducing the risk of theft and mutilation to the collections. The Library is completing a draft update of the Security Plan which will be published in January 1999. A permanent implementing structure established in the draft plan has been addressing collections security issues since September, 1998. Conveners of four standing committees are accountable for implementing the schedule of 20 actions outlined in the draft plan. The Library completed additional physical security and procedural controls in fiscal year 1998 further strengthening its controls over the Heritage Assets. Some 891,342 theft detection targets have been installed in class H and S volumes in the general collections and incoming materials in the Copyright Office. The Office of Security installed new video surveillance cameras in the Main Reading Room and installed extensive electronic and physical security controls and the placement of security guards to protect the Top Treasures, Religion in Early America, and Freud exhibits. Security guards have been assigned to full time duty in the Main Reading Room. The Library opened an expanded cloakroom in the Jefferson Building in June 1998 and beginning June 15 imposed personal belongings restrictions on readers using the Main Reading Room. The Library also issued reader identification cards to 46,209 researchers registered in fiscal year 1998. The process of stamping the rare book collection with LC property stamps continued, bringing the number of items that bear permanent property stamps to 705,026. With the assistance of a private auditing firm, the Library completed nine risk assessments focused on particular parts of the collection.

- 4) We have disclosed all significant deficiencies in the design or operation of the internal control structure which could adversely affect the Library's ability to meet the internal control objectives and identified those we believe to be material weaknesses.

---

Donald L. Scott  
Deputy Librarian of Congress



## THE DEPUTY LIBRARIAN OF CONGRESS

WASHINGTON, D.C. 20540

March 31, 1999

Dear Mr. Oliver:

Thank you for the opportunity to review and comment on your audit report of the Library of Congress' consolidated financial statements for fiscal year 1998. The audit report makes many good recommendations, and the Library is taking steps to address these recommendations.

I am pleased that the audit report reflects the Library's continued progress in ensuring accountability of our resources. For the third consecutive year, the Library has received an **unqualified audit opinion** on the consolidated financial statements. Another very positive measure shown in the report is the decrease from six to two in the number of reportable conditions.

The audit report documents the progress being made to improve the safeguarding of our collections. A comprehensive Library Security Plan was approved by the Library's Congressional oversight committees during fiscal year 1998, and we are steadily implementing the plan's objectives and tasks.

We recognize that while substantial progress has been made there is still much work to be done. We look forward to the challenge and to working cooperatively with your firm and the Congress in continuing to improve the accountability of the Library's resources. Please accept my appreciation for a professional audit report.

Sincerely,

Donald L. Scott  
Deputy Librarian of Congress

Mr. William H. Oliver  
Director of Federal Government Services  
Clifton Gunderson L.L.C.  
7833 Walker Drive, Suite 440  
Greenbelt, Maryland 20770