

JAMES MADISON NATIONAL COUNCIL FUND
STATEMENT OF FINANCIAL POSITION
September 30, 1999

ASSETS

Cash	\$ <u>30,139</u>
Investments: (Note 2)	
U.S. Treasury Market Based Securities	3,631,426
U.S. Treasury Permanent Loan	24,187
Growth and Income Pool	<u>663,348</u>
Total Investments	<u>4,318,961</u>
Receivables:	
Pledges (Note 3)	2,888,261
Accrued interest	<u>30,562</u>
Total Receivables	<u>2,918,823</u>
 Total assets	 \$ <u><u>7,267,923</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 26,311
Accrued payroll and annual leave	<u>13,683</u>
Total liabilities	<u>39,994</u>

NET ASSETS (Note 4)

Unrestricted-Undesignated	\$ 2,453,682
Unrestricted-Council Designated for Projects	761,326
Temporarily Donor Restricted for Projects	<u>4,012,921</u>
Total Net Assets	<u>7,227,929</u>

Total liabilities and net assets	\$ <u><u>7,267,923</u></u>
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The accompanying notes are an integral part of these financial statements.

JAMES MADISON NATIONAL COUNCIL FUND

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 1999

CHANGES IN UNRESTRICTED NET ASSETS

REVENUE

Membership Contributions	\$ 1,152,992
Miscellaneous gifts	11,910
Interest	164,805
Net Unrealized and Realized Gain on Investments (Note 2)	115,776
Imputed financing for cost subsidies (Note 5)	15,478
Net Assets Released from Restrictions	629,145

Total revenue	2,090,105
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EXPENSES

Personnel costs	290,919
Travel and transportation and subsistence/support persons	34,094
Other services (See Schedule B)	436,396
Books and library materials	356,771
Exhibit Opening Events, Receptions, and Madison Council Meetings	67,662
Professional and consultant services	46,329
Office supplies and materials	15,716
Printing, publishing, and photoduplicating	100,590

Total expenses	1,348,477
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OTHER CHANGES

Transfer to Other Funds (Note 6)	50,200
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Increase in Unrestricted Net Assets	691,428
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CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions	3,999,742
Net Assets Released from Restrictions	(629,145)
Changes in Temporarily Restricted Net Assets	3,370,597

Increase in Net Assets	4,062,025
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Net Assets at Beginning of the year	3,165,904
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Net Assets at End of year	\$ 7,227,929
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The accompanying notes are an integral part of these financial statements.

JAMES MADISON NATIONAL COUNCIL FUND

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 1999

Cash flows from operating activities:	
Donations Received	\$ 2,497,098
Interest Received	158,623
Cash paid to others	(1,116,971)
Cash paid to employees	(269,055)
Transfer to Other Funds	<u>(50,200)</u>
Net cash provided by investing activities	\$ <u>1,219,495</u>
Cash flows from investing activities:	
Investment in U.S. Treasury Market Based Securities	\$ (2,916,580)
Investment in U.S. Treasury Permanent Loan	(4,542)
Redemption of Investment in U.S. Treasury Market Based Securities	1,462,552
Redemption of Investment in U.S. Treasury Permanent Loan	<u>180,084</u>
Net cash provided by investing activities	\$ <u>(1,278,486)</u>
Net Decrease in Cash	(58,991)
Cash at beginning of year	<u>89,130</u>
Cash at end of year	\$ <u><u>30,139</u></u>
Reconciliation of Changes in Net Assets to Net Cash From Operating	
Change in Net Assets	\$ 4,062,025
Adjustments to reconcile changes in net assets to net cash provided from operating activities	
Non-cash gain on mutual fund investments	(115,776)
Increase in receivables	(2,667,554)
(Increase) in accrued interest receivables	(6,182)
Increase in accrued payroll and annual leave	6,386
(Decrease) in accounts payable	<u>(59,404)</u>
Total Adjustments	(2,842,530)
Net Cash from Operating Activities	\$ <u><u>1,219,495</u></u>

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

SUPPLEMENTAL INFORMATION

Schedule A

Schedule of Designations and Funding for Outreach Programs*

JMNC Fund Designations:	
Designations, beginning of fiscal year	\$1,462,483
Funds uncommitted during the year	
Designations made during the fiscal year *	<u>4,471,465</u>
Total designations	<u><u>5,933,948</u></u>
Funding:	
JMNC Fund projects and program expense	198,096
Members' specific projects expense	<u>629,146</u>
Total funding	<u>827,242</u>
Net designations, end of fiscal year **	<u><u>\$5,106,706</u></u>

* \$4,308,700 as Temporarily Donor Restricted Designations and \$162,765 as Unrestricted-Council Designations. The Temporarily Donor Restricted Designations of \$4,308,700 are discounted in the Statement of Activities to \$3,999,742.

** The Net designations, end of fiscal year of \$5,106,706 are discounted in the Statement of Financial Position to \$4,774,247.

SUPPLEMENTAL INFORMATION

Schedule B

Schedule of Expenditures

	JMNC Fund Projects and Programs	Members' Specific Projects	Operations	Total
Personnel costs	\$ -	\$ 45,566	\$ 245,353	\$ 290,919
Travel and transportation and subsistence/support persons	2,896	6,771	24,427	34,094
Other services	15,822	290,309	130,265	436,396
Books and library materials	156,899	198,490	1,382	356,771
Exhibit Opening Events, and Madison Council Meetings	1,513	25,235	40,914	67,662
Professional and consultant services	-	-	46,329	46,329
Office supplies and materials	-	-	15,716	15,716
Printing, publishing, and photoduplicating	<u>20,967</u>	<u>62,775</u>	<u>16,848</u>	<u>100,590</u>
 Totals	 <u>\$ 198,097</u>	 <u>\$ 629,146</u>	 <u>\$ 521,234</u>	 <u>\$ 1,348,477</u>

Note: The Total column represents actual expenses. The other columns represent the net amount of expenses and unliquidated obligations for the specific categories.

JAMES MADISON NATIONAL COUNCIL FUND NOTES TO THE FINANCIAL STATEMENTS

September 30, 1999

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. DESCRIPTION OF FUND

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

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

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

B. BASIS OF ACCOUNTING AND PRESENTATION

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

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

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

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

expenses of the James Madison National Council.

C. USE OF ESTIMATES

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

D. CONTRIBUTIONS AND REVENUE RECOGNITION

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

E. INCOME TAX

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

F. INVESTMENT POLICY

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

- ! a permanent loan with the U.S. Treasury
- ! a pool of U.S. Treasury market-based securities
- ! a private investment pool consisting of five stock funds and one money market fund. The funds recommended by the Library of Congress Trust Fund Board's investment committee and approved by the Board are:
 - ! Vanguard Money Market Prime Fund
 - ! Fidelity Fifty Fund
 - ! Fidelity Stock Selector
 - ! Vanguard Total Stock Market Index Fund
 - ! Vanguard 500 Index Fund
 - ! RS The Emerging Growth Fund

Investments in U.S. market-based securities are stated at cost net of any unamortized premium or discount, which approximates market value at September 30, 1999. The permanent loan is an interest bearing par value investment which equals the market value. Stock and money market mutual funds are stated at current market value.

NOTE 2 - INVESTMENTS

A. U. S. TREASURY

An act of Congress approved March 3, 1925, and subsequently amended, permits up to \$10 million of trust funds to be invested with the United States Treasury as a perpetual loan, at a floating interest rate, adjusted monthly, but no less than four percent per annum. At September 30, 1999, \$24,187 of JMNC Fund funds were invested in the U.S. Treasury permanent loan at an interest rate of five percent. Other investments with U.S. Treasury were as follows:

Investment	Cost	Unamortized Premium	Unrealized Discount	Net Investment
Non-Marketable, Market Based Government Securities	\$ 3,602,711	\$ 71,675	\$ 42,960	\$ 3,631,426

B. MUTUAL FUNDS

The JMNC Fund invested \$500,000 in the growth and income pool (non-Treasury mutual fund investments) in 1996. Market value of the growth and income pool as of September 30, 1999, totaled \$663,348.

The net gain on investments of \$124,649 consists of the following: \$29,126 realized gain of mutual fund capital gains distributions; \$9,642 realized gain of money market dividends and \$85,881 unrealized gain on the growth and income pool.

NOTE 3 - PLEDGES

Contributions of unconditional promises to give (pledges) to the JMNC Fund are recognized as revenue in the period received. They are recorded at their present value using a market discount rate. Accretion of the discount in subsequent years is also recorded as revenue. Outstanding pledges of \$3,209,300 at September 30, 1999 were discounted through fiscal 2002 at a market discount rate and are included in the statement of financial position at their discounted present value of \$2,888,261. The amounts due in future years at their current discounted value are: \$1,127,932 in fiscal 2000; \$905,364 in fiscal 2001; \$854,965 in fiscal 2002.

Of the \$3,209,300 in total pledges as of September 30, 1999, \$3,000,000 is the result of the Library's allocation of the \$5,000,000 pledge from John W. Kluge, chairman of the James Madison Council. In fiscal year 1998, Mr. Kluge pledged two dollars (up to \$5,000,000) for every one dollar pledged by other donors to the National Digital Library Trust Fund (NDLTF). A provision of the \$5M pledge stipulated that the Library could use a portion of the \$5,000,000 pledge for support of the Library's Bicentennial celebration when pledges from other donors to the NDLTF exceeded the required matching amount of \$2,500,000. The Library has received enough pledges to the NDLTF as of September 30, 1999, to enact the provision so that \$3,000,000 could be transferred to the James Madison Council Trust Fund for the Bicentennial celebration.

NOTE 4 - NET ASSETS

The JMNC Net Assets of \$7,227,929 is classified as Unrestricted-Undesignated, Unrestricted-Council Designated for Projects or Temporarily Restricted for Projects. Of this total amount, \$2,453,682 is classified as Unrestricted-Undesignated. The balance of \$4,774,247 consisting of \$761,326 (Unrestricted-Designated for Projects) and \$4,012,921 (Temporarily Restricted for Projects) is earmarked for initiatives such as the Library's Bicentennial Celebration, the Permanent Treasures Exhibit, Illustrated Guides to the Special Collections and Special Acquisitions.

Ending Net Assets includes undelivered orders of \$231,481 which are funds that have been obligated for goods and services not yet received for JMNC Fund operations and designated projects.

NOTE 5 - IMPUTED FINANCING FOR COST SUBSIDIES

An adjustment of \$15,478 was recorded as an imputed financing source and a corresponding expense in the accompanying financial statements. This adjustment recognizes the full cost of pensions and other health and life insurance benefits during the employees's active years of service.

NOTE 6 - TRANSFER TO OTHER FUNDS

The JMNC Fund paid \$50,200 for equipment during fiscal 1999. Because property and equipment is generally not restricted for use to JMNC Fund activities, property and equipment accounts are not maintained in the JMNC Fund. Capitalized property and equipment are transferred to the Library's appropriated fund.

NOTE 7 - EXPENSES BY FUNCTIONAL CLASSIFICATION

As permitted by SFAS No. 117, the Library has elected to present its operating expenses by natural classification in its Statements of Activities for the period ending September 30, 1999. The functional breakdown of these expenses is as follows (see Schedule B):

Fiscal Year 1999 Expenses by Functional Classification

	<u>Amount</u>
JMNC Fund Projects and Programs	\$ 198,097
Members' Specific Projects	629,146
Operations	<u>521,234</u>
Total Expenses	<u>\$ 1,348,477</u>

NOTE 8 - RETIREMENT PLANS

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

In fiscal 1999, the JMNC Fund paid approximately \$17,573 to fund retirement benefits, excluding FICA taxes.