# Performance and Accountability Report

## FISCAL YEAR 2012

November 15, 2012

# Message from the Director of the Institute of Museum and Library Services, Susan H. Hildreth

It is a great pleasure to present the Performance and Accountability Report for the Institute of Museum and Library Services for FY 2012. I am proud of the contributions that the Institute of Museum and Library Services makes to the American people. Our new strategic plan builds on the agency's solid foundation and targets five strategic goals. The goals focus on achieving positive public outcomes for communities and individuals; supporting the unique role of museums and libraries in preserving and providing access to collections and content; and promoting policies that ensure robust library, museum, and information service for all Americans.

With built infrastructure in nearly every community in the nation, active online networks, and dedicated staff, museums and libraries connect people to one another and to the full spectrum of knowledge.

- 169 million people in the United States over the age of 14 (69 percent of the population) are library users.
- 148 million people in the United States over the age of 18 are museum users.

**Libraries and museums are part of the solution.** Rapid changes in the economy, demographic shifts, and new technologies are creating demands for new library and museum services. IMLS's strategic plan creates a roadmap for carrying out our federal mandate to help America create 21st-century institutions that provide the essential educational and cultural opportunities that we need for a competitive future.

Without museums and libraries it would be more difficult and potentially impossible for many people to pursue their education, seek employment, and lead healthier lives. Libraries and museums are fundamental to supporting civic life and the wellbeing of our nation.

Economic strains are causing reductions in all sources of public and private funding. At the same time, public demand for libraries and museums is strong. Communities are looking to libraries and museums as full partners in education, workforce, and technology strategies. Museums and libraries are not only "filling the gap," they are helping communities imagine new ways to leverage their assets in support of core citizen services.

**IMLS plays a unique and strategic federal role.** We are living at a time when the strategic use of resources could not be more important. IMLS's role – to provide leadership, funding, data, strategic partnerships, knowledge sharing, and policy analysis—is essential to help libraries and museums navigate change and evolve their services.

IMLS is now fully implementing its new strategic plan and new performance improvement model. To assure the most effective use of federal funds we are gathering evidence about problems and solutions, acting on this to help institutions identify and adopt best practices, evaluating results and creating knowledge sharing networks to assure that the widest possible community (not solely grantees) benefit from lessons learned.

This report provides an overview of IMLS's strategic goals, a description of our model of evidence-based program design, a description of how each of our grant programs contributed to our approach, and an in-depth description of five strategic priorities.

# 1. Management's Discussion and Analysis (MD&A)


A. IMLS Overview

B. Vision

C. Mission

D. Strategic Goals

E. Organizational Structure

F. IMLS Model for Evidence-Based Program Design

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I. Brief Analysis of the Financial Statements

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## A. IMLS Overview

IMLS's new strategic plan, published in January 2012, closely aligns with the Museum and Library Services Act, as revised in December 2010.

The law recognizes the importance of enlisting libraries and museums in achieving policy outcomes in education, cultural preservation, early learning, and workforce development. It also recognizes the federal role in this effort and charges IMLS with advising the President and Congress on library, museum, and information services; conducting policy research, analysis, and data collection to analyze national needs for and trends in library, museum, and information services; and supporting a wide range of programming that impacts the lives of millions of Americans.

The complete IMLS Strategic Plan is available at www.imls.gov/plan.

To increase accountability and ensure continued focus and progress, we have established cross-agency teams that are charged with developing business plans to assess and streamline current administrative and programmatic investments and develop actionable work plans to insure efficient implementation of the strategic plan.

## B. Vision

IMLS has a vision of a democratic society where communities and individuals thrive with broad public access to knowledge, heritage, and lifelong learning.

## C. Mission

The mission of IMLS is to inspire libraries and museums to advance innovation, learning, and civic engagement. We provide leadership through research, policy development, and grant making.

## D. Strategic Goals

**Strategic Goal 1:** IMLS places the learner at the center and supports engaging experiences in libraries and museums that prepare people to be full participants in their local communities and our global society.

**Strategic Goal 2:** IMLS promotes museums and libraries as strong community anchors that enhance civic engagement, cultural opportunities, and economic vitality.

**Strategic Goal 3:** IMLS supports exemplary stewardship of museum and library collections and promotes the use of technology to facilitate discovery of knowledge and cultural heritage.

**Strategic Goal 4:** IMLS advises the President and Congress on plans, policies, and activities that sustain and increase public access to information and ideas.

**Strategic Goal 5:** IMLS achieves excellence in public management and performs as a model organization through strategic alignment of IMLS resources and prioritization of programmatic activities, maximizing value for the American public.

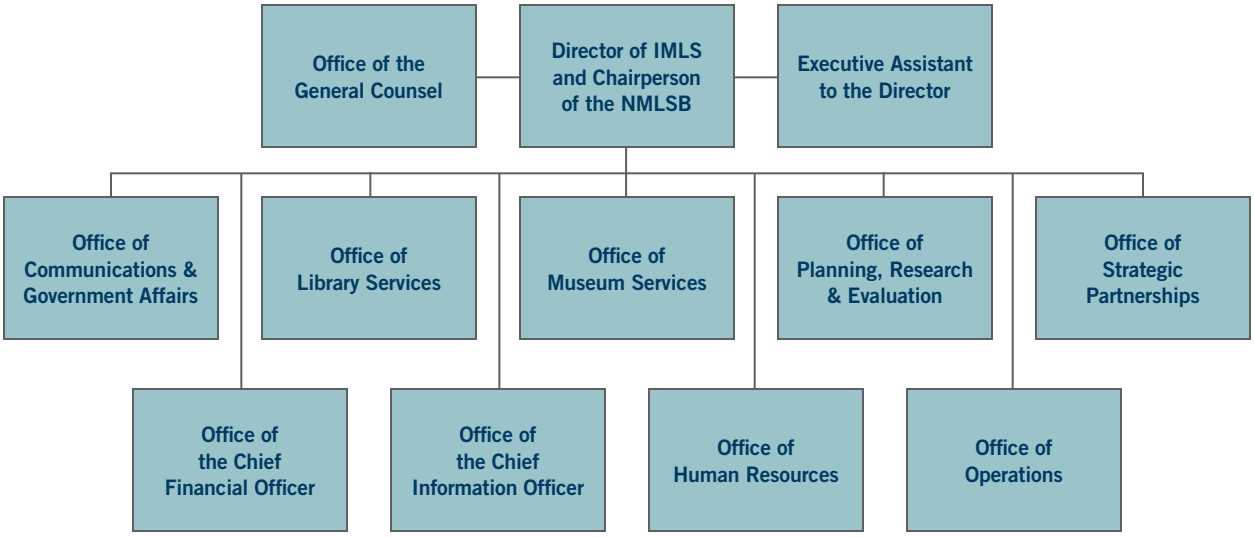
## E. Organizational Structure

IMLS, an independent federal agency established in 1996, brings together federal library programs first established in 1956 with federal museum programs established in 1976. The agency supports library and museum services in the United States by:

- administering grant programs including population-based state formula grants for libraries, peer-reviewed competitive discretionary grants, cooperative agreements, and partnerships that support both libraries and museums;
- conducting policy research, analysis, and data collection that extend and improve the nation's museum, library, and information services; and
- developing interagency collaborations that fully leverage the roles of museums and libraries in achieving national policy goals.

IMLS is led by a director who is a presidential appointee confirmed by the Senate and advised by the National Museum and Library Services Board (NMLSB). The NMLSB is a twenty-three-member advisory body that includes the IMLS director, the deputy director for libraries, the deputy director for museums, and twenty presidentially appointed individuals with expertise in, or commitment to, library or museum services. Informed by its broad collective knowledge and experience, the NMLSB advises the IMLS director on general policy and practices. The board also provides critical input on selections for the National Medals for Museum and Library Service.

### Organizational Chart



## F. IMLS Model for Evidence-Base Program Design

### Step 1: Build Evidence

Over the past two years, IMLS has focused considerable effort on improving its capacity to monitor grant program investments and measure impact. The agency has reconfigured its policy and operational leadership structure, reorganized work units, and altered staffing allocations to concentrate greater resources on technical assistance, strategic partnerships, evaluation of program impacts, and the communication of best practices.

The agency's five-year strategic plan provides a clear road map for synthesizing lessons learned from grant making, national initiatives, and policy research to inform future investments, share best practices, and build organizational capacity across the library and museum sectors. Staff from each of the agency's program and operational units is actively engaged in the implementation of the new strategic plan, with cross-agency teams established to monitor progress for each goal.

### Step 2: Act on Evidence

IMLS functions as a learning organization with significant content-area expertise. IMLS program staff possesses significant depth of experience in the museum and library service sectors. The IMLS constantly reviews its grant and project portfolios through a variety of methods. These reviews help increase administrative efficiency, monitor program performance, and develop more targeted grant guidelines. At the earliest stage of the grant process, experienced library, museum, and education sector professionals perform a two-tiered peer review of applications to assure that project proposals are in line with best practices. All grantees report on the conduct of their projects on an annual basis and on project outcomes at the conclusion of the grant period. IMLS is working with evaluation experts and museum and library stakeholders to build more robust outcomes-based reporting tools. In addition, third-party evaluations of IMLS grant programs are conducted on a rolling basis to measure program impact and review administrative functions and efficiency and program costs.

In areas where greater evidence of effective practice is needed, IMLS is experimenting with making smaller challenge grants to the museum and library field. For example, IMLS has developed a small innovation fund called Sparks! Ignition Grants, which provide $10,000 to $25,000 in grant support to encourage libraries, museums, and archives to test and evaluate service innovations in their respective fields.

In areas where effective practice is known, IMLS is encouraging applicants to align program efforts with these practices.

### Step 3: Evaluate Effectiveness

For many years, IMLS worked to improve evaluation capacity in the field through general guidance materials and technical assistance to individual grantees on a project-by-project basis. While many grantees found the technical assistance valuable, the strategy was not effective at documenting lessons learned for the field or in building a stronger community of practice for museum or library service evaluation.

The agency is now shifting its emphasis from project-level assessment to program-level performance assessment, and is not monitoring efficiency and performance in its museum and library service grant programs. In addition to funding third-party program evaluations, IMLS is working with its stakeholders to develop more detailed program plans and assessment protocols.

### Step 4: Support Knowledge Diffusion

IMLS recognizes that improving evaluation practices without communicating results does little to improve museum and library services over time. The agency therefore works aggressively to identify and create new, more effective knowledge-sharing opportunities. In its grant programs, IMLS requires all grantees to share findings through publicly accessible publications, conference presentations, journal articles, and/or association websites. The agency is working with contractors to develop a new suite of performance reports that will collect more standardized data on project practices and outcomes and allow for greater comparison within and across grant programs. To improve access to research data, IMLS has revised grant guidelines to require that all research grantees include data access plans.

### Step 5: Continually Revise Agency Programs and Services to Incorporate Best Practice

IMLS' strategic plan builds on the agency's strategic resources to achieve positive public outcomes for communities and individuals; support the unique role of museums and libraries in preserving and providing access to collections and content; and promote library, museum, and information service policies that ensure access to information for all Americans. IMLS

developed the five-year plan with significant public input via discussions with stakeholder groups through public meetings and online, using social media tools to broaden the public discussion.

Since adoption of the plan IMLS has revised its project and program activities so that they align with the agency's new strategic goals.

## G. Scope of Responsibilities

This section provides highlights of the Museum and Library Services Act and the African American History and Culture Act, key IMLS programs and activities, and data describing distribution of funds.

### Library Services

All the programs support the following goals, as stated in the updated IMLS statute (20 U.S.C. §9121):

1. *to enhance coordination among Federal programs that relate to library and information services;*
2. *to promote continuous improvement in library services in all types of libraries in order to better serve the people of the United States;*
3. *to facilitate access to resources in all types of libraries for the purpose of cultivating an educated and informed citizenry;*
4. *to encourage resource sharing among all types of libraries for the purpose of achieving economical and efficient delivery of library services to the public;*
5. *to promote literacy, education, and lifelong learning and to enhance and expand the services and resources provided by libraries, including those services and resources relating to workforce development, 21st century skills, and digital literacy skills;*
6. *to enhance the skills of the current library workforce and to recruit future professionals to the field of library and information services;*
7. *to ensure the preservation of knowledge and library collections in all formats and to enable libraries to serve their communities during disasters;*
8. *to enhance the role of libraries within the information infrastructure of the United States in order to support research, education, and innovation; and*
9. *to promote library services that provide users with access to information through national, State, local, regional, and international collaborations and networks.*

### Grants to States

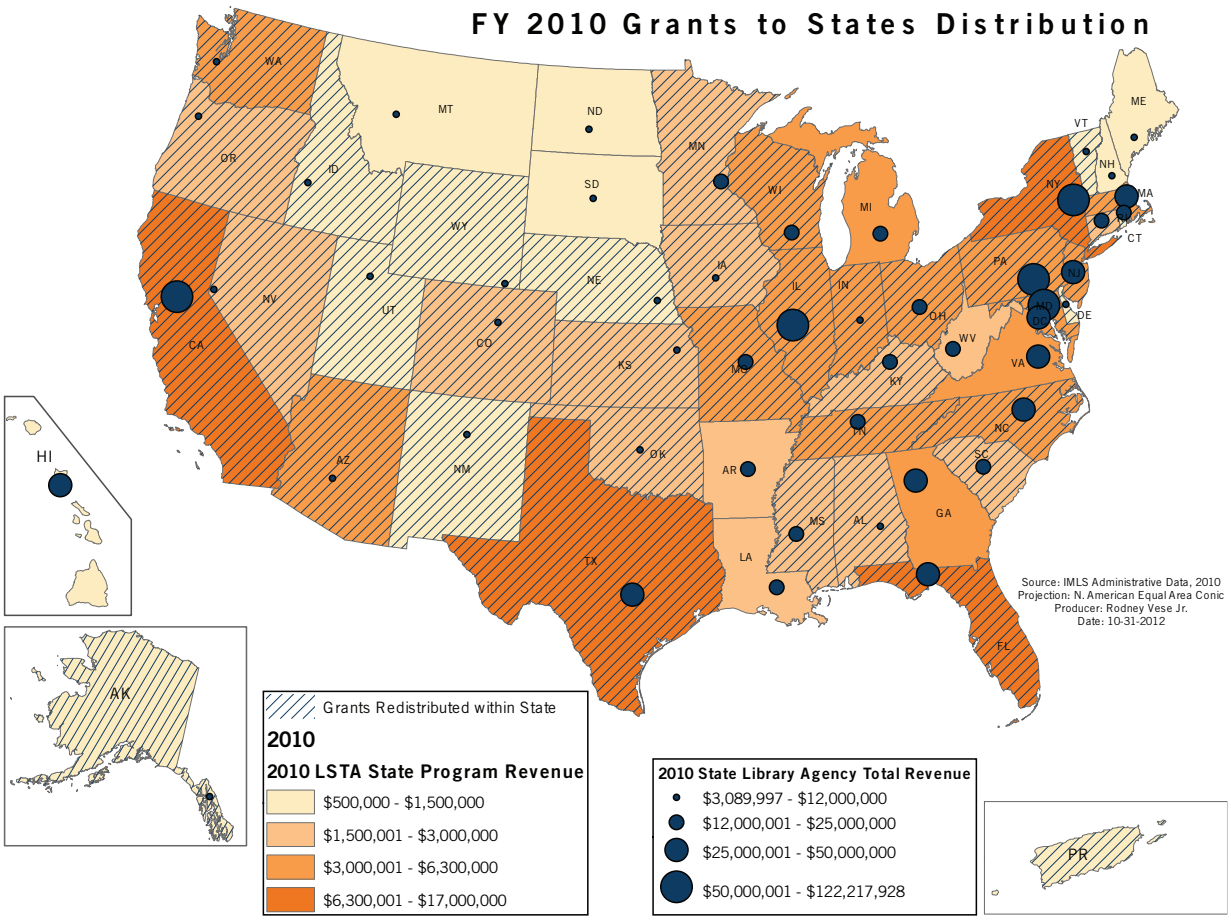
#### Process

The IMLS Library Grants to States program awards population-based formula grants to each State Library Administrative Agency (SLAA) in the 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The formula consists of a minimum amount set by law plus a supplemental amount based on population. Population data are based on the information available from the U.S. Census Bureau website. The 2010 Act sets base allotments of $680,000 for states and $60,000 for Pacific Territories. The Act limits the amount of funding available for administration at the state level to four percent and requires a 34 percent match from non-federal state or local funds. Programs and services delivered by each SLAA support the purposes and priorities set forth in the Library Services and Technology Act (LSTA). SLAAs set goals and objectives for their states regarding the use of Grants to States funds within the statutorily required five-year plan approved by IMLS. These goals and objectives are determined through a planning process that includes statewide needs assessments.

#### Use of Funds

SLAAs may use the appropriation for statewide initiatives and services for:

1. *expanding services for learning and access to information and educational resources in a variety of formats, in all types of libraries, for individuals of all ages in order to support such individuals' needs for education, lifelong learning, workforce development, and digital literacy skills;*
2. *establishing or enhancing electronic and other linkages and improved coordination among and between libraries and entities, as described in 9134(b)(6) of this title, for the purpose of improving the quality of and access to library and information services;*
3. *(A) providing training and professional development, including continuing education, to enhance the skills of the current library workforce and leadership, and advance the delivery of library and information services; and (B) enhancing efforts to recruit future professionals to the field of library and information services;*
4. *developing public and private partnerships with other agencies and community-based organizations;*
5. *targeting library services to individuals of diverse geographic, cultural, and socioeconomic backgrounds, to individuals with disabilities, and to individuals with limited functional literacy or information skills;*




6. *targeting library and information services to persons having difficulty using a library and to underserved urban and rural communities, including children (from birth through age 17) from families with incomes below the poverty line (as defined by the Office of Management and Budget and revised annually in accordance with section 9902(2) of title 42) applicable to a family of the size involved;*
7. *developing library services that provide all users access to information through local, State, regional, national, and international collaborations and networks; and*
8. *carrying out other activities consistent with the purposes set forth in section 9121 of this title, as described in the state library administrative agency's plan.*

## Support for Pacific Territories and Freely Associated States

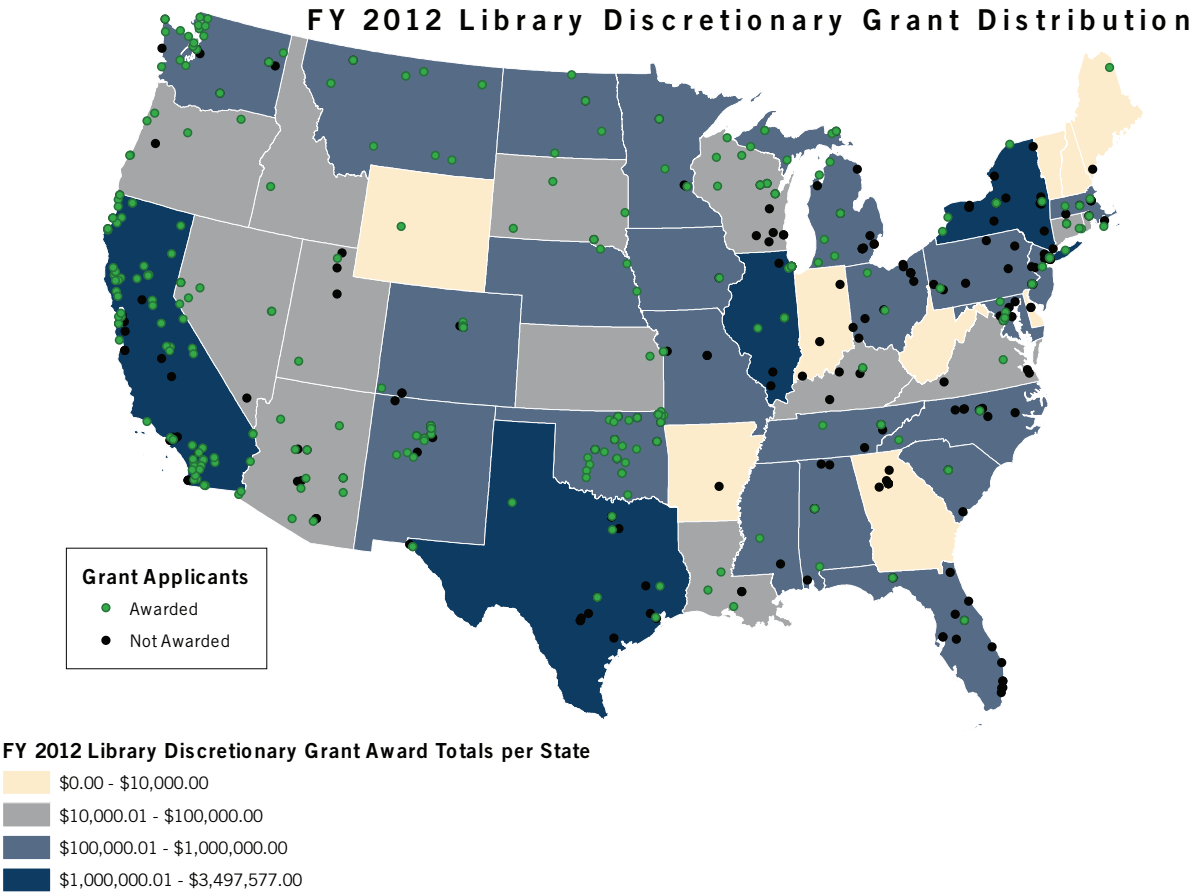
Grants to the Pacific Territories and the Freely Associated States (FAS) are funded under a Special Rule, 20 U.S.C. § 9131(b)(3), which authorizes a small competitive grants program in the Pacific region and the U.S. Virgin Islands. There are seven eligible entities: Guam (GU), American Samoa (AS), the Commonwealth of Northern Mariana Islands (CNMI), the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), the Republic of Palau (PU), and the U.S. Virgin Islands (VI). The funds for this grant program are taken from the allotment amounts for the FAS (FSM, RMI, and PU). The territories (GU, AS, CNMI, VI) receive allotments through the Grants to States program and, in addition, may apply for funds under the competitive program. Five percent of this program's funding is set aside for Pacific Resources for Education and Learning (PREL), based in Hawaii, to facilitate the grants review process. The projects funded under this program also support the LSTA purposes.

## Discretionary Grants

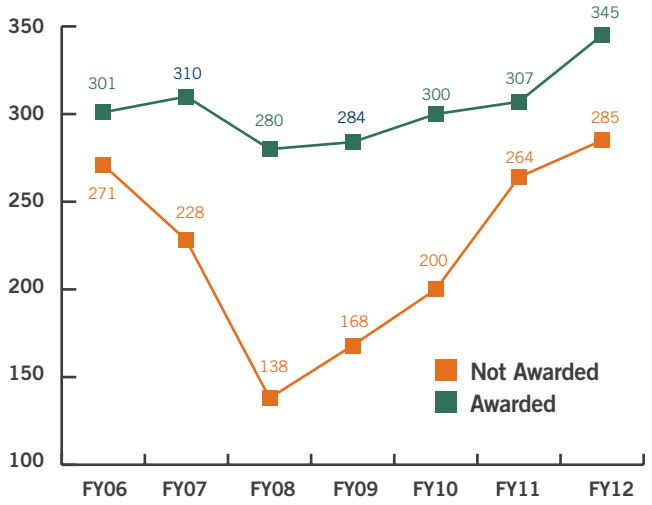
The Library Services Discretionary Grants Programs are established in 20 U.S.C. Sections 9161, 9162, and 9165. The statute names the following programs: National Leadership Grants, Native American Library Services Basic Grants, Native American Library Services Enhancement Grants, Native Hawaiian Library Services, and Laura Bush 21st Century Librarian Program.

National Leadership Grants support projects that address challenges faced by the museums, libraries, and/or archives and that have the potential to advance the practices of those institutions. According to statute, the funded activities may include:

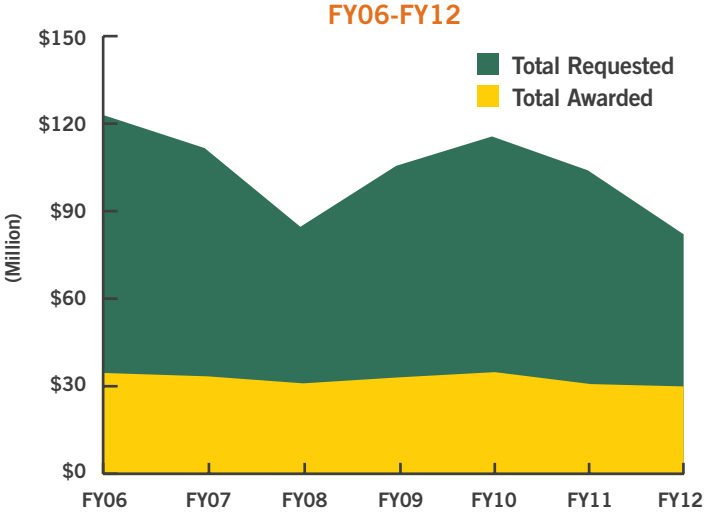
1. *building workforce and institutional capacity for managing the national information infrastructure and serving the information and education needs of the public;*
2. *(A) research and demonstration projects related to the improvement of libraries or the enhancement of library and information services through effective and efficient use of new technologies, including projects that enable library users to acquire digital literacy skills and that make information resources more accessible and available; and B) dissemination of information derived from such projects;*
3. *preserving or digitizing of library materials and resources, giving priority to projects emphasizing coordination, avoidance of duplication, and access by researchers beyond the institution or library entity undertaking the project, including the development of national, regional, statewide, or local emergency plans that would ensure the preservation of knowledge and library collections in the event of a disaster; and*
4. *model programs demonstrating cooperative efforts between libraries and museums.*



**Total Applicants and Awardees for Library Discretionary Grant Programs, FY06-FY12**




**Total Amount Requested Against Total Amount Awarded for Library Discretionary Grant Programs, FY06-FY12**




The Native American Library Services Basic Grant funds are distributed in equal amounts among eligible applicants. Basic Grants may support existing library operations and maintain core library services. The Native American Library Services Enhancement Grant program is competitive; projects may enhance existing library services or implement new library services. Native Hawaiian Library Services grant projects are competitive; they may enhance existing library services or implement new library services. The statutory purposes of these programs are the same as the purposes of the Grants to States program (see page 6).

The Laura Bush 21st Century Librarian Program is also a competitive grant program. The statutory purposes of the program are:

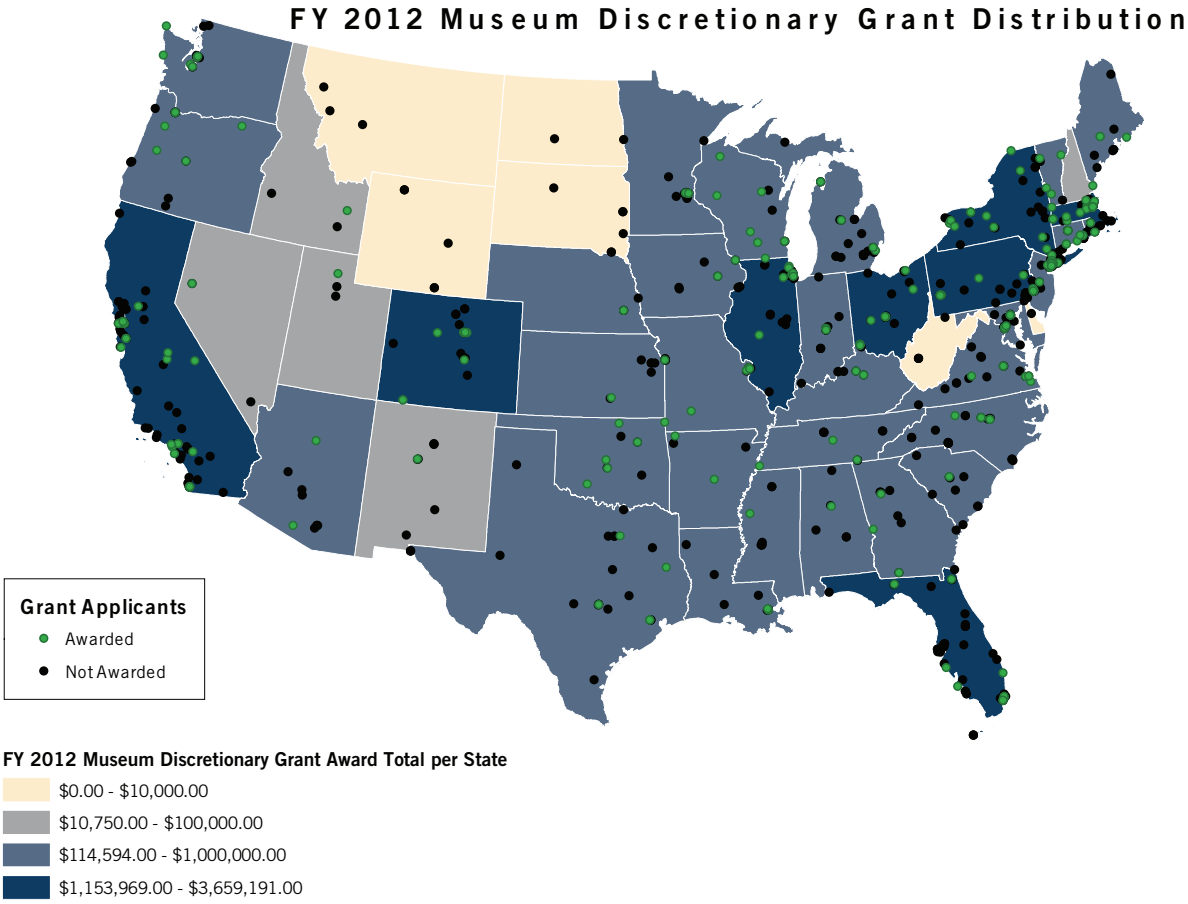
1. *recruiting and educating the next generation of librarians, including by encouraging middle or high school students and postsecondary students to pursue careers in library and information science;*
2. *developing faculty and library leaders, including by increasing the institutional capacity of graduate schools of library and information science; and*
3. *enhancing the training and professional development of librarians and the library workforce to meet the needs of their communities, including those needs relating to literacy and education, workforce development, lifelong learning, and digital literacy.*

## Museum Services

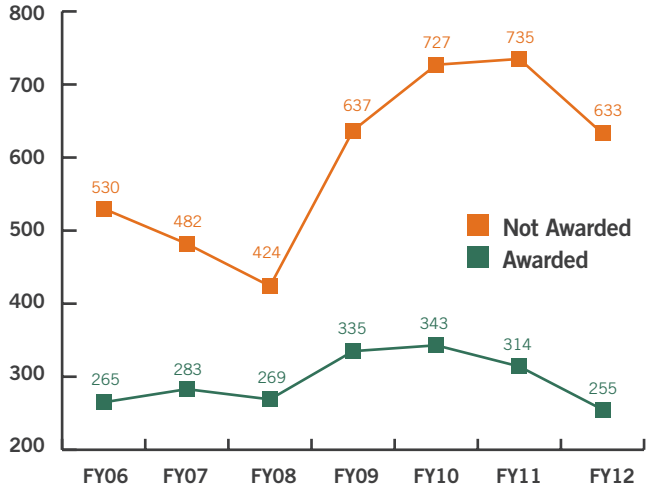
**The Museum and Library Services Act** authorizes the IMLS Office of Museum Services for the following activities:

1. *to encourage and support museums in carrying out their public service role of connecting the whole of society to the cultural, artistic, historical, natural, and scientific understandings that constitute our heritage;*
2. *to encourage and support museums in carrying out their educational role, as core providers of learning and in conjunction with schools, families, and communities;*
3. *to encourage leadership, innovation, and applications of the most current technologies and practices to enhance museum services through international, national, regional, State, and local networks and partnerships;*
4. *to assist, encourage, and support museums in carrying out their stewardship responsibilities to achieve the highest standards in conservation and care of the cultural, historic, natural, and scientific heritage of the United States to benefit future generations;*
5. *to assist, encourage, and support museums in achieving the highest standards of management and service to the public, and to ease the financial burden borne by museums as a result of their increasing use by the public;*
6. *to support resource sharing and partnerships among museums, libraries, schools, and other community organizations;*
7. *to encourage and support museums as a part of economic development and revitalization in communities;*
8. *to ensure museums of various types and sizes in diverse geographic regions of the United States are afforded attention and support; and*
9. *to support efforts at the State level to leverage museum resources and maximize museum services.*

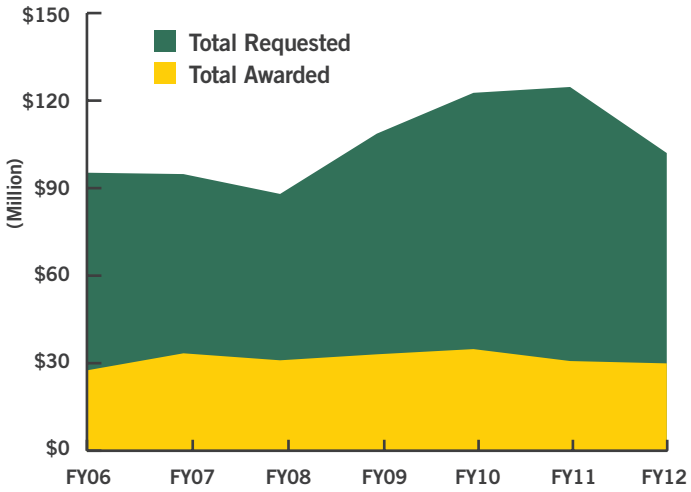
## FY 2012 Museum Discretionary Grant Distribution




## Total Museum Discretionary Grant Program Applicants and Awardees, FY06-FY12




## Total Amount Requested Against Total Amount Awarded for Museums Discretionary Grant Programs, FY06-FY12



**The National Museum of African American History and Culture Act**

This Act directs the Director of IMLS to consult with the Council and Director of the National Museum of African American History and Culture to establish a grant program for African American museums, as follows:

*(A) a grant program with the purpose of improving operations, care of collections, and development of professional management at African American museums;*

*(B) a grant program with the purpose of providing internship and fellowship opportunities at African American museums;*

*(C) a scholarship program with the purpose of assisting individuals who are pursuing careers or carrying out studies in the arts, humanities, and sciences in the study of African American life, art, history, and culture.*

IMLS offers a number of programs to address its statutory mandate:

In addition to its discretionary grant programs, the Office of Museum Services maintained cooperative agreements for technical assistance. In FY12 IMLS worked in cooperation with the American Association for Museums to provide the Museum Assessment Program with Heritage Preservation for the Conservation Assessment Program.

| Program | Purpose |
|---|---|
| Museums for America | Build capacity, engages communities, and improves management of collections. |
| Conservation Project Support | Conserve museum collections through assessments, environmental improvements, training, and treatment projects. |
| Connecting To Collections | Support statewide projects involving museums, libraries, and archives to critical collections care and conservation issues within their states or territories, as identified in previously awarded planning grants. |
| National Leadership Grants | Develop innovative tools, partnerships, or other resources that impact multiple institutions and advance the museum profession. |
| Sparks! Ignition Grants | Encourage museums to test and evaluate specific innovations. |
| Learning Labs | Support the design of new learning spaces based on current research about digital media and youth learning. |
| 21st Century Museum Professionals Grants | Develop projects that impact multiple institutions by providing professional training and development programs for museum staff and volunteers or emerging professionals. |
| Native American/Native Hawaiian Museum Services | Improve museum services for federally recognized tribes and organizations that serve Native Hawaiians. |
| Museum Grants for African American History and Culture | Build the capacity of African American museums through professional training and development. |

### Policy research, analysis, data collection, and dissemination

Section 9018 of the Museum and Library Services Act authorizes the Director of IMLS to annually conduct policy research, analysis, and data collection with ongoing collaboration (as determined appropriate by the Director), and in consultation, with (1) state library administrative agencies; (2) national, state, and regional library and museum organizations; (3) other relevant agencies and organizations.

The legislation further states that the policy research, analysis, and data collection shall be used to:

1. *identify national needs for and trends in museum, library, and information services;*
2. *measure and reports on the impact and effectiveness of museum, library, and information services throughout the United States, including the impact of federal programs authorized under this Act;*
3. *identify best practices; and*
4. *develop plans to improve museum, library, and information services of the United States and to strengthen national, state, local, regional, and international communications and cooperative networks.*

IMLS provides reliable and objective data and analysis to help inform policy decisions. It is a source of information about library and museum service trends, including analysis of market conditions that affect the financial health of the museum and library sectors and research on emerging services. IMLS is committed to supporting highly diverse wide perspectives, methods, and researchers to advance museum and library and information services research.

### Interagency Collaboration

The Museum and Library Services Act authorizes the IMLS Director to support interagency collaboration:

The Director shall work jointly with the individuals heading relevant Federal departments and agencies, including the Secretary of Labor, the Secretary of Education, the Administrator of the Small Business Administration, the Chairman of the Federal Communications Commission, the Director of the National Science Foundation, the Secretary of Health and Human Services, the Secretary of State, the Administrator of the Environmental Protection Agency, the Secretary of the Interior, the Secretary of Housing and Urban Development, the Chairman of the National Endowment for the Arts, the Chairman of the National Endowment of the Humanities, and the Director of the Office of Management and Budget, or the designees of such individuals, on –

1. *initiatives, materials, or technology to support workforce development activities undertaken by libraries;*
2. *resource and policy approaches to eliminate barriers to fully leveraging the roles of libraries and museums in supporting the early learning, literacy, lifelong learning, digital literacy, workforce development, and education needs of the people of the United States; and*
3. *initiatives, materials, or technology to support educational, cultural, historical, scientific, environmental, and other activities undertaken by museums.*

IMLS has a wide range of interagency partnerships, including advancing broadband adoption, coordinating early learning activities, and supporting the effective delivery of workforce development services.

## H. Strategic Priorities

**Strategic Goal 1: IMLS places the learner at the center and supports engaging experiences in libraries and museums that prepare people to be full participants in their local communities and our global society.**

To succeed in our rapidly changing society and economy, individuals must keep informed of relevant events and trends, develop perspective and judgment, gain new knowledge to remain current in their occupations, and continually update their skills. Everyone is welcome at our nation's libraries and museums, giving these institutions the unique capacity to reach marginalized and underserved audiences and to develop learning experiences in every discipline, including science, engineering, and business, and basic literacy in digital, health, and financial literacy.

Through their collections, exhibits, programs (onsite, offsite, and online), and partnerships, these institutions serve as essential and trusted components of the nation's learning ecosystem, providing opportunities for lifelong, "life-wide" learning. They satisfy critical needs for pre-K, out-of-school, after-school, summer, and adult learning.

The chart below provides a summary of IMLS progress towards meeting the objectives under this goal. Detailed information on progress is provided in Section II of this report.

| | |
|---|---|
| **Objective 1.1:** Invest in projects that provide inclusive and accessible learning opportunities to individuals of diverse geographic, cultural, special needs, and socioeconomic backgrounds. | Met |
| **Objective 1.2:** Support communities of practice that draw on current research and evaluation literature to develop effective informal and formal learning experiences in museums and libraries. | Partially met |
| **Objective 1.3:** Facilitate partnerships among museums, libraries, and other education providers to expand learning opportunities for the public. | Partially met |
| **Objective 1.4:** Support the training and development of museum and library leadership to meet the needs of diverse publics in a rapidly changing environment. | Partially met |

IMLS has demonstrated its commitment to supporting accessible programs targeted at underserved communities. We are developing analytical tools and communication platforms to share best practices. We continue to seek out educational partners and to document their success. IMLS is supports professional development of the library and museum workforce by analyzing past investment and convening stakeholders to share lessons learned and inform future grant making.

**Strategic Goal 2: IMLS promotes museums and libraries as strong community anchors that enhance civic engagement, cultural opportunities, and economic vitality.**

Healthy, thriving, sustainable communities need institutions that strengthen civic life, understand and respond to community needs, and provide common experiences that knit together diverse interests. Museums and libraries are unique community-based organizations that are well positioned to serve as these anchor institutions. They connect people to information and ideas. They encourage the participation and dialogue that are crucial to creating a sense of place and strengthening the link between individuals and their communities. They are more than just safe places for community gathering; they provide a center for community vitality, a connecting point for community services, and a venue for cultural expression and lifelong learning. Programs and services at libraries and museums enhance civic discourse, increase scientific literacy, and connect communities to information regarding health, education, job seeking and training, digital literacy, and early and intergenerational learning.

IMLS identifies and leverages innovative services developed in one community, sharing the strategies and approaches with similar service providers in communities across the country. Targeted federal investments can optimize use of private, state, and local funds; ensure that underserved populations are reached; and provide links to practice, research, and data across agencies working to address community needs. The chart below summarizes progress in meeting the objectives under this goal, as detailed in Section II.

| | |
|---|---|
| **Objective 2.1:** Invest in projects that strengthen the role of libraries and museums as core components of a broader community learning and service infrastructure. | Met |
| **Objective 2.2:** Partner with other federal agencies to leverage the resources of libraries and museums in advancing national priorities, including education, health, disaster preparedness, digital literacy and economic and workforce development. | Met |
| **Objective 2.3:** Ensure that public and private sector leaders have the information they need to make strategic policy and investment decisions that leverage the infrastructure and expertise of museums and libraries. | Met |

Supporting libraries and museums as community anchors is a critical priority for IMLS. In FY 2012 the agency made several specific investments supporting this work, including a new partnership with the Local Initiative Support Corporation (LISC) and a grant to the American Library Association to develop librarians' capacity to serve as community conveners. We continue to sustain and enhance partnerships with other federal agencies. We are building on our past investments in digitization of library and museum collections and are on track to achieve the FY 2014 goal of having 90 percent of projects categorized and easily searchable.

**Strategic Goal 3: IMLS supports exemplary stewardship of museum and library collections and promotes the use of technology to facilitate discovery of knowledge and cultural heritage.**

Access to museum and library collections helps to fuel innovation, inspire the development of new knowledge, and increase global understanding. Too many of the collections held in U.S. libraries and museums are at risk and in need of proper storage, emergency planning, and conservation treatment. IMLS is helping these institutions to embrace new opportunities to digitize and share their collections and develop new standards and protocols to preserve and provide access to "born digital" data and objects.

The collections held in public trust in our museums, libraries, and archives are our national memory; they connect us to the cultural, artistic, historical, natural, and scientific understandings that constitute our heritage. In order to provide wide access to these materials, high standards and best practices in collections management and preservation are essential.

IMLS provides federal leadership to share and promote effective practices across states and other cooperating entities. IMLS programs help to leverage local dollars and strengthen partnerships to support management, care, and access to collections and to the information, meaning, and content they represent. IMLS has made significant investments over the last five years through its grant programs, national initiatives, and partnerships to foster best practices in collections management, preservation, and digitization. Having gained this expertise, IMLS must develop effective regional and national strategies for collections care and access to content. The chart below briefly summarized progress for Objectives under this goal, as detailed in Section II.

| | |
|---|---|
| **Objective 3.1:** Support the care and management of the nation's collections, both material and living, to expand and sustain access for current and future generations. | Met |
| **Objective 3.2:** Develop and implement a nationwide strategy to expand public access to the information, meaning, and content found in museum and library collections. | Partially met |

These activities include the traditional priorities of its library, museum, and archive constituencies. IMLS is the primary federal agency providing support for collections care at the local level. This work is critical to the success of museums and libraries, and IMLS has the knowledge base to provide this type of support and assistance. Based on the review of completed projects, we are developing an action plan for collections care training. To support digital and virtual collections, IMLS will focus on evaluating existing activities and will encourage more cost-effective and efficient use of technology, to share resources, collections, and infrastructure.

**Strategic Goal 4: IMLS advises the President and Congress on plans, policies, and activities that sustain and increase public access to information and ideas.**

In an economy powered by knowledge, libraries and museums play essential roles in ensuring equitable access to information for everyone, a cornerstone of economic growth and a strong democracy. Technology is changing the ways that people access and use library and museum services. During this time of rapid change, IMLS can help ensure that decision makers have the data and analysis they need to improve and modernize their services.

Progress toward objectives under this goal is summarized below.

| | |
|---|---|
| **Objective 4.1:** Promote federal policies that improve access to information services for underserved communities and help to remove barriers that prevent individuals from using these services effectively. | Met |
| **Objective 4.2:** Identify trends and provide consistent and reliable data on museum and library services and use to ensure that federal policymakers, public and private sector leaders, and the public are aware of the critical role that libraries and museums play in our democratic society. | Met |
| **Objective 4.3:** Support and extend a national digital information infrastructure that leverages libraries and museums as key partners and providers of reliable, persistent, and widely available access to digital information and services. | Met |

Through its statistical collection and analysis, its support of the Digital Public Library of America program, and other similar grants, IMLS provides public access to information. IMLS identifies and overcomes barriers to digital access and supports the development of a national digital infrastructure.

**Strategic Goal 5: IMLS achieves excellence in public management and performs as a model organization through strategic alignment of IMLS resources and prioritization of programmatic activities, maximizing value for the American public.**

IMLS continues its commitment to improve administrative efficiencies and focus on its high-quality stewardship of public funds and outstanding public service.

- The Office of Communications and Government Affairs has increased its use of social media and other "citizen-science model" strategies and has increased interagency collaborations.
- The Office of Planning, Research and Evaluation collects evidence-based data to inform grant-making priorities.
- The Office of Strategic Partnerships identifies productive partnerships to strengthen IMLS impact and use taxpayer dollars wisely.

Progress toward Goal 5 objectives is summarized below and detailed in Section II.

| | |
|---|---|
| **Objective 5.1:** Develop an exemplary model of efficient federal grants management. | Met |
| **Objective 5.2:** Cultivate a culture of planning, evaluation, and evidence-based practice to maximize the impact of public investments. | Met |
| **Objective 5.3:** Promote greater transparency and accountability of IMLS operations. | Met |
| **Objective 5.4:** Encourage and promote an engaged and energized IMLS workforce. | Partially Met |

IMLS is proud of its ongoing exemplary stewardship of and accountability for federal funds. We strive to be a model agency in effective and efficient management, and have received accolades from our peers and Congressional leaders on our management reforms. With a comprehensive and aggressive new strategic plan, IMLS accomplished many activities in FY 2012 and will advance these activities in the coming year.

## I. Brief Analysis of Financial Statements

Underlying the agency's many programmatic achievements is its commitment to organizational excellence and sound financial management. IMLS has a fiduciary and stewardship responsibility to manage its federal funds effectively and efficiently and comply with federal guidance on financial management. As part of this responsibility, the agency prepares annual financial statements in accordance with generally accepted accounting principles (GAAP). The principal financial statements have been prepared to report the financial position and results of operations for IMLS. The FY 2012 financial statements and accompanying notes are presented in accordance with OMB Circular A-136, *Financial Reporting Requirements*, and are shown in comparative formats.

To ensure the integrity and reliability of the annual financial statements, IMLS subjects them to an annual independent audit.

Figure 1 below summarizes the IMLS financial position in FY 2012. Figure 2 summarizes the FY 2012 grant award obligations by Strategic Goal.

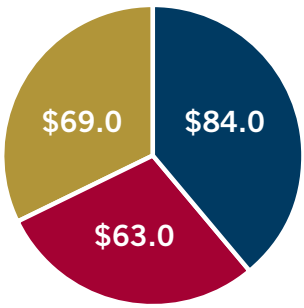
### Figure 1: IMLS FY12 Financial Position

The significant changes in the above categories are attributed to the continued reduced amount of federal funding appropriated to IMLS.

| Net Financial Condition | FY 2012 | FY 2011 | Increase/(Decrease) | % Change |
|---|---|---|---|---|
| Assets | $335.8M | $354.1M | ($18.3M) | (5.2%) |
| Liabilities | $52.7M | $54.9M | ($2.2M) | 4.0% |
| Net Position | $283.1M | $299.2M | ($16.1M) | (5.4%) |
| Net Cost | $249.4M | $271.9M | $22.5M | (8.3%) |

### Figure 2: FY12 Grant Obligations

FY 2012 Grant Awards issued by Strategic Goal ($ in millions)




**Goal 1:** Supporting Lifelong Learning (39%)

**Goal 2:** Promoting Museums & Libraries as Strong Community Anchors (29%)

**Goal 3:** Supporting Exemplary Stweardship of Collections (32%)

## J. Limitations of Financial Statements

IMLS has prepared the principal financial statements to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget (OMB), 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.

These statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

## K. Management Assurances

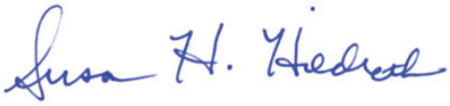
### Overall Internal Control

IMLS recognizes the importance of establishing and maintaining adequate controls over its programs and administrative functions. Management continues to evaluate and modify existing controls – and establish new ones as appropriate – to ensure accountability of federal funds and resources. IMLS also recognizes the importance of using technology to enhance effectiveness and efficiency, and to ensure an adequate degree of internal control and compliance with applicable laws and regulations. Consistent with operating procedures and pursuant to the Federal Managers' Financial Integrity Act of 1982 (FMFIA), the Chief Financial Officer requested each office head to conduct an internal review of their respective activities to identify possible deficiencies in management controls. Mindful of the Administration's continuing emphasis on management accountability for effective and efficient performance, IMLS senior executives closely reviewed their and provided written statements of their findings. The results are reported here, within the agency's FY 2012 Performance and Accountability Report, consistent with the provisions of the Reports Consolidation Act of 2000. Based on the review process described above, IMLS provides the following assurances:

IMLS management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). IMLS conducted its assessment of the effectiveness and efficiency of operations and its compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, IMLS can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2012 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

### Internal Control over Financial Reporting

IMLS conducted an assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with OMB Circulars A-123, *Management's Responsibility for Internal Control*, and A-136, *Financial Reporting Requirements*. Based on the results of this evaluation and that of our independent auditors, IMLS can provide reasonable assurance that its internal control over financial reporting as of September 30, 2012 was operating effectively and that no additional material weaknesses were found in the design or operation of the internal control over financial reporting.



Susan H. Hildreth
Director

# 2. Measuring Performance: Key Results for 2012


A. Performance Goals, Objectives, and Assessments
1. Strategic Goal #1
2. Strategic Goal #2
3. Strategic Goal #3
4. Strategic Goal #4
5. Strategic Goal #5
B. Additional Management Highlights


## A. Performance Goals, Objectives and Assessments

### 1. Assessing Progress in Meeting Goal 1 Objectives

**Strategic Goal 1:** IMLS places the learner at the center and supports engaging experiences in libraries and museums that prepare people to be full participants in their local communities and our global society.

**Objective 1.1:** Invest in projects that provide inclusive and accessible learning opportunities to individuals of diverse geographic, cultural, special needs, and socioeconomic backgrounds.

**Associated Activities from the Strategic Plan:**

- Promote and share best practices to access and serve special populations and underserved communities.
- Direct a portion of IMLS discretionary grant funds to target library and museum services to support inclusive and accessible learning opportunities using identified best practices.

**Benchmarks and Assessing Progress:**

In FY13, IMLS will designate a portion of discretionary grant funds to target library and museum services that serve special needs populations and/or underserved communities, using identified best practices.

**Evidence of Progress for Objective 1.1:**

- In April 2012, IMLS announced a partnership with the Administration for Children and Families' (ACF) Offices of Head Start and Child Care. The ACF issued an Information Memorandum to Head Start, Early Head Start Grantees and Delegate Agencies, and Child Care and Development Fund (CCDF) Administrators, encouraging collaboration between early childhood programs and public libraries to meet the educational needs of young children and their families. The partnership will develop a variety of early learning strategies based on current scientific evidence about brain development, early childhood development, and school readiness.

- In FY 2012 IMLS committed over $2.5 million for 19 projects to engage libraries and museums in the work of the Campaign for Grade Level Reading, which aims to increase the number of low-income children reading at grade level by the end of third grade. In FY 2013, IMLS will offer additional grant opportunities through its National Leadership Grants for Museums and Libraries, Museums for America and Native American/Native Hawaiian Museum Services programs.
- In FY 2012, IMLS has committed to supporting grants focused on early learning services for low-income children. FY 2013 grant guidelines will prioritize funding for inclusive and accessible learning experiences. The agency also established a strategic plan work group to focus on best practices and communities of practice. This work will support the synthesis and assessment of findings from past IMLS grants, and the development of communication platforms to share its finding.

### Performance Assessment: Target Met

**Objective 1.2:** Support communities of practice that draw on current research and evaluation literature to develop effective informal and formal learning experiences in museums and libraries.

**Associated Activities from the Strategic Plan:**

- Synthesize research and evaluation findings from past IMLS grants around informal lifetime learning and formal education to identify trends, lessons learned, and best practices.
- Require current and future IMLS grantees to share information to improve informal learning and formal education opportunities for the public through libraries and museums.

**Benchmarks and Assessing Progress:**

By the end of FY 2013, IMLS will complete assessment of trends and best practices for informal and formal learning in museums and libraries.

By the end of FY 2013, IMLS will revise reporting guidelines to more clearly identify project lessons and best practices in informal and formal education programming.

**Evidence of Progress for Objective 1.2:**

In FY12, IMLS initiated a pilot program to post final reports on its website from grantees in the Sparks! Ignition Grant for Museums and Libraries program.

### Learning Labs for Teens

**$2 million from IMLS and $2 million from the MacArthur Foundation**

IMLS and the MacArthur Foundation have joined together in response to the President's call to "Educate to Innovate" and improve outcomes in Science, Technology, Engineering and Mathematics (STEM) learning in the United States. Together we are supporting the planning and design of 25 learning labs in libraries and museums throughout the country. The labs will engage middle- and high-school youth in mentor-led, interest-based, youth-centered collaborative learning using digital and traditional media. We have created a community of practice with our grantees and are developing evaluation tools and communication channels to share results.

### Programs for Young Children

**Saint Louis Science Center – Saint Louis, MO, Amount: $249,815**

Science Beyond the Boundaries Early Learning Collaborative is a partnership of twenty science centers to share programs, research, and lessons learned. Building on the early learning expertise of five of the partners, all museums will enhance their science and school readiness programs for children aged 0-4. The collaborative will provide individual assistance to museums by linking them to knowledgeable colleagues and helping to customize materials.

**City of Houston – Houston, TX, Amount: $250,000**

To encourage early learning, the Houston Public Library will partner with the Children's Museum of Houston to establish the "Pop-up Library" program. Designed to reduce summer reading loss in children in Grades K-3 and to involve families in summer reading programs, the Pop-up Library will be a transportable unit that brings library materials, resources, and programming into a variety of public spaces.

The agency developed a uniform reporting format that guided grantees in providing consistent information to describe their projects and share lessons learned.

FY 2013 guidelines for discretionary grant programs includes language that tells applicants that IMLS "may share grant applications, grant products, and reports with grantees, potential grantees, and the general public to further the mission of the agency and the development of museum and library services. IMLS plans to disseminate these materials in a variety of ways, including through www.imls.gov, training sessions, and conferences."

IMLS has established work teams to revise the grantee reporting form to identify project lessons and best practices.

**Performance Assessment: Target Partially Met**

**Objective 1.3:** Facilitate partnerships among museums, libraries, and other education providers to expand learning opportunities for the public.

**Associated Activities from the Strategic Plan:**

- Assess past library and museum projects supported with IMLS funds that included partnerships with formal education institutions and community organizations that provide informal education.
- Foster partnerships with other federal agencies, foundations, and the private sector that support comprehensive approaches to learning at the state and local levels.
- Continue to assess the impact of partnerships on the effective delivery of informal learning in IMLS grant programs and other agency initiatives, including efforts undertaken in the Grants to States program.

**Benchmarks and Assessing Progress:**

By the end of FY 2013, at least 80 percent of applicants and current IMLS grantees will systematically document the types and roles of partners in their projects.

**Evidence of Progress for Objective 1.3:**

The agency has built on its work with the Partnership for 21st Century Skills (P21), a non-profit coalition sponsored by education, business, and community organizations. The agency has created a robust collection of tools and resources on its website that support museums and public libraries in envisioning, defining, and implementing their roles as institutions of learning in the 21st century.

The agency's partnership with the MacArthur Foundation in creating the Learning Labs grant program demonstrates the power of libraries and museums in implementing evidence-based practices to engage youth in 21st century learning.

**Performance Assessment: Target Partially Met**

**Objective 1.4:** Support the training and development of museum and library leadership to meet the needs of diverse publics in a rapidly changing environment.

**Associated Activities from the Strategic Plan:**

- Convene museum and library leaders in professional education and training with practicing professionals in the museum and library field to evaluate current investments and identify high-priority learning needs for current and future professionals.
- Develop an action plan to align educational opportunities with the current and future needs of the museum and library workforce.

**Benchmarks and Assessing Progress:**

By FY 2013, IMLS will complete an action plan with measurable objectives for education of professional museum and library staff, which reflects stakeholder priorities.

**Evidence of Progress for Objective 1.4.:**

Through the Laura Bush 21st Century Librarian and the 21st Century Museum Professionals Programs, IMLS funded projects the education and training of museum and library professionals, continuing education, and learning opportunities for mid-career professionals.

Since 2000, the IMLS-sponsored WebWise conference has brought together representatives of museums, libraries, archives, science, education, and other fields to discuss online content for inquiry and learning and effective strategies for professional development in the digital environment.

**Performance Assessment: Target Partially Met**

## 2. Assessing Progress in Meeting Goal 2 Objectives

**Strategic Goal 2:** IMLS promotes museums and libraries as strong community anchors that enhance civic engagement, cultural opportunities, and economic vitality.

**Objective 2.1:** Invest in projects that strengthen the role of libraries and museums as core components of a broader community learning and service infrastructure.

**Associated Activities from the Strategic Plan:**

- Identify best practices in assessing community impacts of museum and library services and promote those practices through IMLS communications platforms.
- Identify and assemble no-cost tools and resources for museums and libraries to use to conduct community needs assessments and promote evidence-based planning.

**Benchmarks and Assessing Progress:**

By FY 2013, IMLS will develop tools for museum and library stakeholders to conduct improved and systematic assessments to meet a range of social and economic needs.

**Evidence of Progress for Objective 2.1:**

In November 2011, IMLS identified, reviewed, and provided access to a set of data tools for library and museum stakeholders. The tools will assist museum and library practitioners to develop program plans that are geared to the social and economic need of their states and local jurisdictions. The tools provide library and museum leaders with reliable statistics for analyzing current demographic trends; monitoring child wellbeing; education and health statistics; economic indicators; labor and employment trends; and small business growth or decline at the national, state, and county levels. All tools can be found at: http://www.imls.gov/research/data_analysis_tools.aspx

In FY 2012 IMLS funded the American Library Association (ALA) to improve community engagement and innovation in the library sector. The project, being conducted with the Harwood Institute for Public Innovation, will develop a new training curriculum to help library leaders serve as conveners and facilitators in their communities. More than 350 librarians will take part in professional development activities.

**Performance Assessment: Target Met**

In August 2012, IMLS entered into a cooperative agreement with Local Initiative Support Corporation (LISC) to review lessons learned from the growing number of comprehensive community development initiatives that involve libraries or museums. The project will support research and create an information resource for this nascent community of practice. The project will develop a Promising Practices Report with a detailed analytic framework to guide subsequent research, program development, and tools for community stakeholders. Future work will assess the level of investment needed to incent community activities and engage local community foundations.

**Objective 2.2:** Partner with other federal agencies to leverage the resources of libraries and museums in advancing national priorities, including education, health, disaster preparedness, digital literacy, and economic and workforce development.

**Associated Activities from the Strategic Plan:**

- Identify other federal agencies whose interests intersect with national priorities that can be addressed by the work of libraries and museums.

**Benchmarks for Assessing Progress:**

By FY 2013, IMLS will complete a scan of national priorities where the work of museums and libraries intersect with key priorities addressed by other federal agencies.

**Evidence of Progress for Objective 2.2:**

**Federal Partnerships**

**U.S. Department of Education:**
IMLS has worked on many programs with the Department of Education, most recently the Let's Read! Let's Move! series.

**U.S. Department of Health and Human Services:**
IMLS has developed a partnership with the Administration for Children and Families and the Office of Head Start to encourage partnerships between care programs and public libraries. On May 10, 2012, this agreement became official through an "Information Memorandum" distributed to all agencies funded by ACF.

**U.S. Department of Labor:**
IMLS has an ongoing partnership with the Department of Labor to address workforce development challenges. IMLS is working with ETA and the Federal Communications Commission (FCC) to highlight the roles that America's Job Centers and public libraries play in digital literacy and workforce development.

**FCC – Connect to Compete:**
IMLS is working closely with the FCC and the new non-profit Connect to Compete (C2C) to support digital literacy efforts throughout the country, leading up to the launch of a national advertising campaign in March 2013. IMLS is supporting digital literacy efforts at both the state and local library level. IMLS also shares the FCC's goal of broadband connectivity for the nation and is supporting work in individual communities to achieve that goal.

**U.S. Postal Service:**
In August 2012 IMLS began working with the U.S. Postal Service and the state library administrative agencies to encourage public libraries to consider becoming "Village Post Offices." The Village Post Office initiative makes it possible for third parties to complement the Postal Service's network by offering customers retail

access to postal products and services at convenient hours and locations.

**The Office of the First Lady: Let's Move Museums and Gardens:**
In a partnership designed to broaden the impact of the First Lady's Let's Move initiative, 584 museums and gardens representing all 50 states are participating in this program. IMLS launched a new newsletter for the program in July.

**Performance Assessment: Met**

**Objective 2.3:** Ensure that public and private sector leaders have the information they need to make strategic policy and investment decisions that leverage the infrastructure and expertise of museums and libraries.

**Associated Activities from the Strategic Plan:**

- Develop a taxonomy to categorize projects, to identify target populations served and substantive areas of work, and to highlight the value of IMLS-funded investments and their intersection with other complementary public and private sector efforts.

**Benchmarks for Assessing Progress:**

By FY 2013, 70 percent of IMLS grants from FY 2005 through FY 2011 will be categorized by project taxonomy and available on the IMLS website.

**Evidence of Progress for Objective 2.3:**

In FY 2011, IMLS developed and implemented a new grant project coding scheme to identify past and future investments by subject area, rather than categorizing projects only by grant category or dollar amount. The taxonomy allows the agency and public stakeholders to search and analyze project grants in a more systematic manner using commonly used key words todescribe project activities and target beneficiaries. The grant tags are now in use on the IMLS grant search web site (see: http://www.imls.gov/recipients/grantsearch.aspx) and were used to provide greater detail in the agency's FY13 Congressional Justification (see: http://www.imls.gov/assets/1/AssetManager/FY13_CJ.pdf).

To improve processing and analysis of past grants, IMLS awarded a contract to a small business to digitize past project grant final reports that were filed in hard copy form. The vendor digitized reports for grants awarded between FY 2004 and FY 2008 and performed a character recognition process for automated processing. IMLS has run a series of computer simulations to code scanned project grants in an automated manner. The automated coding will result in a new database of past grants reports that are indexed by grant program, fiscal year, grant amount, location, subject area, and beneficiary. The database will enhance the agency's ability to analyze past investments.

To improve processing and analysis of future grants, IMLS has revised its grant application forms for FY 2013. Moving forward, all IMLS grant applicants will now be required to code their projects by subject area and intended beneficiaries at the application stage. This process change will streamline the grant tagging process, increase reliability and validity of administrative data, and allow for greater comparability and more detailed analysis across all IMLS grant applications.

In FY 2013 the agency will develop detailed community needs assessment tools to be used by applicants in the FY14 grant cycle. By FY 2014, 80 percent of applicants for community engagement projects will use IMLS-provided community assessment tools in their applications.

Currently, 80 percent of all project grants from FY05 and FY11 have been coded. Moreover, the revision of grant application forms was completed ahead of schedule and will be implemented for the FY 2013 grant cycle. The agency is on target to meet its FY 2014 goal to have 90 percent of IMLS grants coded according to the standardized project taxonomy.

**Performance Assessment: Targets Met**

## 3. Assessing Progress in Meeting Goal 3 Objectives

**Strategic Goal 3:** IMLS supports exemplary stewardship of museum and library collections and promotes the use of technology to facilitate discovery of knowledge and cultural heritage.

**Objective 3.1:** Support the care and management of the nation's collections, both material and living, to expand and sustain access for current and future generations.

**Associated Activities from the Strategic Plan:**

- Raise awareness at local, state, and regional levels of the importance of collections care and conservation for libraries, archives, and museums.
- Continue to support a comprehensive approach to collections care that includes assessment and prioritization, collections management, environmental controls, and treatment.

- Building on IMLS's successful work in its "Connecting to Collections" initiative, support the training of cultural heritage professionals who can share knowledge, skills, and expertise among museums, libraries, and archives.
- Work with relevant organizations to publish and share best practice guidelines for both the digitization of collections and for the digital curation (management and preservation) of collections.

**Benchmarks and Assessing Progress:**

By FY 2013, IMLS will develop an agency action plan to support training in collections care, with measureable objectives.

By FY 2013, IMLS and partner organizations will publish and share consensus-based guidelines on the digitization and digital curation of collections.

**Evidence of Progress for Objective 3.1:**

During FY 2013, IMLS will use reports from completed projects to describe the current state of collaboration/cooperation; to identify proven successful strategies (including teaching and training); to assess costs; and to produce a guide or tool (written and online) for widespread implementation.

IMLS plans to implement an update to the Heritage Health Index to assess the current state of collections care, and compare it to the benchmark set in the 2005 study.

**Performance Assessment: Target Met**

**Objective 3.2:** Develop and implement a nationwide strategy to expand public access to the information, meaning, and content found in museum and library collections.

**Associated Activities from the Strategic Plan:**

- Analyze IMLS-funded statewide planning and implementation grant results to document and disseminate findings and replicable practices.

**Evidence of Progress for Objective 3.2:**

IMLS awarded a National Leadership Grant to the University of Illinois to update the IMLS Framework of Guidance for Building Good Digital Collections.

In FY 2012, IMLS awarded grants to support the national digital infrastructure through the development of software and systems that facilitate the creation, management, and use of digital information. Carnegie Mellon University (Pittsburgh, PA) will create a new type of digital repository to preserve executable content, such as learning games and interactive data visualizations. The California Digital Library will further develop and enhance a suite of online planning tools to help scientists and other data creators effectively manage and preserve their research data. The Orange County Library System (Orlando, FL) will create an open-source

**Council of State Historical Records Coordinators**

As government moves from paper-based services and records to digital, it is critical to improve electronic records management in state and territorial governments. A $489,880 grant to the Council of State Historical Records Coordinators support staff education, including a series of intensive week-long institutes. States that have not yet started electronic records programs will participate in an introductory institute. Attendees will develop action plans, report progress, and reinforce interstate collaborations via webinars and online communities.

**Connecting to Collections Implementation Grants**

Eight states (Colorado, Nebraska, New Jersey, New York, Ohio, Oklahoma, Oregon, and Wisconsin) received grants to implement projects resulting from statewide planning efforts to preserve collections, taking into account the needs of each state. For example, in Oregon, the Oregon Heritage Commission, in partnership with the Confederated Tribes of the Umatilla Reservation, the Oregon Historical Society, the Oregon Library Association, the Oregon Museums Association, the Oregon Secretary of State, and the Oregon State Library, will provide preservation and preparedness trainings and regional mentoring networks, supported by online resources. Training will take place in each of seven regions, training at least three mentors in each region. Mentors will provide consultations with heritage organizations using a neighbor-teaching-neighbor approach.

**Center for Conservation and Research of Endangered Wildlife (CREW)**

The Cincinnati Zoo & Botanical Garden will use a $461,808 grant for its Center for Conservation and Research of Endangered Wildlife (CREW) to inform botanical gardens worldwide on using cryopreservation as a tool for plant conservation. The research team will assess the viability of over 980 samples from CREW's CryoBioBank, including seeds, spores, pollen, and tissues from 178 species (many of which are among the nation's most endangered), that have been stored up to 24 years in liquid nitrogen. The project will determine current viability and genetic integrity and use that data to evaluate the effectiveness of the methods used at the time of banking, as well as effects of tissue age, genotype, species, and storage location.

software system so that public libraries throughout the United States can offer access to library-based community archives.

**Performance Assessment: Target Partially Met**

## 4. Assessing Progress in Meeting IMLS' Goal 4 Objectives

**Strategic Goal 4:** IMLS advises the President and Congress on plans, policies, and activities that sustain and increase public access to information and ideas.

**Objective 4.1:** Promote federal policies that improve access to information services for underserved communities and help to remove barriers that prevent individuals from using these services effectively.

**Associated Activities from the Strategic Plan:**

- Survey challenges in access to information for underserved communities and differently abled individuals.

**Benchmark for Assessing Progress:**

By FY13, IMLS will develop and report baseline measures for assessing challenges to information access for underserved communities and differently abled individuals.

**Evidence of Progress for Objective 4.1:**

**Copyright in the Digital World**

The provision of museum and library services is affected by a wide range of policy areas, including copyright, where both national laws and international norms affect access to a variety of works. During FY 2012, IMLS partnered with the White House (including the Office of the U.S. Trade Representative and the Special Advisor to the President for Disabilities Rights) and other government agencies (including the U.S. Patent and Trademark Office, Departments of Education and State, and the Copyright Office) to craft U.S. positions and serve on the U.S. Delegation to the Standing Committee on Copyright and Related Rights of the United Nations World Intellectual Property Organization. During FY 2012, the Standing Committee considered exceptions to copyright protection for library and archive services. The group issued a statement recognizing the role and importance of these exceptions and proposed principles for domestic exceptions that enable libraries and archives to serve the public. IMLS is also engaged in the Standing Committee's efforts to promote cross-border exchange of special format materials to serve individuals who are blind or visually impaired. Individuals who are visually impaired rely upon the nation's libraries, including the state and regional libraries for the blind that are supported by IMLS, for access to special format materials. Libraries are essential to carrying out and achieving the goals of any international agreement.

IMLS entered into an interagency agreement with the National Endowment for the Arts to update "Design for Accessibility: A Cultural Administrator's Handbook." The handbook and related resources assist cultural institutions in complying with the federal disabilities laws and making access an integral part of their missions, planning, and programs.

**Performance Assessment: Target Met**

**Objective 4.2:** Identify trends and provide consistent and reliable data on museum and library services and use to ensure that federal policymakers, public and private sector leaders, and the public are aware of the critical role that libraries and museums play in our democratic society.

**E-Books – The Big Shift**

Research indicates that libraries are at a tipping point in e-content investment, as the percentage of e-book and e-journal collection expenditures continues to steadily outgrow print books and journals each year—and is likely to increase exponentially with the rapid growth in e-book adoption. In FY 2012, IMLS awarded a grant OCLC to carry out a new initiative called, "The Big Shift: Advancing Public Library Participation in Our Digital Future." OCLC is partnering with the American Library Association to review the e-book landscape and develop recommendations for ensuring public access to these resources and discussing the challenges that U.S. public libraries face in providing e-book content to borrowers as they ensure that all Americans continue to have access to commercially produced content through their local public libraries.

**iMap Libraries: Facilitating Equity of Public Library Services to Diverse Markets**

Public libraries are serving increasingly diverse populations with diverse needs. To measure the value and extent their services, public libraries need more specific data about their communities' needs and about other libraries that serve similar populations. IMLS awarded a planning grant to Florida State University's School of Library and Information Studies to develop a prototype web-based mapping system that pulls data together from different sources. Through a series of national forum activities, the project team will solicit feedback on the prototype and learn how libraries candeliver better services to targeted user markets.

**Associated Activities from the Strategic Plan:**

- Collect and disseminate data on the public use of museum and library resources to identify trends and potential gaps in the availability and use of museum and library services.
- Increase the timeliness and availability of museums and library statistical reports to the public.

**Benchmark for Assessing Progress:**

By the end of FY 2012, IMLS will issue annual reports on the availability of museum and library services and demographics of users and nonusers to identify gaps; partner with stakeholders to complete a comprehensive review of the public and state library statistical collections; and make available to the public reports on the rate of library and museum use by segments of the United States population.

By the end of FY 2013, IMLS will initiate annual user surveys to assess satisfaction and effectiveness of statistical products and reports.

**Evidence of Progress for Objective 4.2:**

The annual U.S. Public Library Survey has one of the highest unit and item response rates in the entire Federal Statistical System. In addition, IMLS manages the States Library Agency survey, a biennial collection from all state library agencies, the Public Demand for Museum and Library Services survey, a national household survey of 3,500 households; and the Museums Count data collection, a census of all museums in the United States.

Wherever possible IMLS' statistical program uses new technologies for data to reduce costs, ease respondent burden, and decrease the time between collection and data release.

The Museums Count project will be the first effort within the Federal Statistical System to use mobile devices to crowd-source a data collection. The Museums Count mobile app, being developed for both Droid and iPhone devices, will allow any member of the public to either verify existing museum records or identify new museums that may not be included in the data set. Users can search for museum records by name, address, museum type, or by using the mobile devices' mapping function to geo-locate museums in their area. The Museums Count mobile app will serve the dual purpose of collecting data for analysis and providing an accessible museum locator tool to the general public.

**Performance Assessment: Target Met**

**Objective 4.3:** Support and extend a national digital information infrastructure that leverages libraries and museums as key partners and providers of reliable, persistent, and widely available access to digital information and services.

**Associated Activities from the Strategic Plan**

- Work with relevant experts to identify necessary components and partners for a national digital information infrastructure, identify which parts already exist wholly or partially, and identify key gaps. More closely align and coordinate IMLS activities with external, concurrent, and complementary national and statewide efforts, and continue ongoing engagement with activities such as the National Digital Stewardship Alliance, the Interagency Working Group on Digital Data, and the Digital Public Library of America.

**Benchmark for Assessing Progress:**

By FY 2013, IMLS will complete an action plan that (1) coordinates with similar efforts occurring in the federal government and elsewhere, and (2) aligns a share of IMLS grant programs in support of development and promotion of a national digital infrastructure.

**Evidence of Progress for Objective 4.3:**

In FY12, IMLS provided grants to support and expand the reach of the Digital Public Library of America (DPLA) through public libraries, statewide networks, and large content repositories. The DPLA, launched at the Berkman Center for Internet & Society at Harvard University, is a national initiative that makes public collections available to more users. The National Archives and Records Administration, Smithsonian Institution, and the Library of Congress are partners in the initiative. IMLS provides assistance by leveraging contributions from a vast number of non-federal institutions.

In FY 2012, IMLS supported a conference for leaders from academic and public libraries, foundations, digitization support organizations, and technology firms to address opportunities for public libraries' participation in the emerging DPLA.

IMLS also supported a DPLA partnership with the Mountain West Digital Library and other collaborators to launch a Digital Hubs Pilot Program. The program will help fund a network of service hubs run by selected statewide digital library programs and "content hubs" consisting of large content repositories. These hubs will form the foundation of a DPLA national network and

test and refine a model to help guide future expansion. Content hubs will contribute their data directly to DPLA via specialized agreements, and service hubs in five to seven states will offer services such as digitization, customized metadata consulting, repository and data aggregation services, and community programming. The DPLA shows how digital resources throughout the nation can be brought together to stimulate seamless access to information.

**Performance Assessment: Target Met**

### 5. Assessing Progress in Meeting IMLS' Goals 5 Objectives

**Strategic Goal 5:** IMLS achieves excellence in public management and performs as a model organization through strategic alignment of IMLS resources and prioritization of programmatic activities, maximizing value for the American public.

**Objective 5.1:** Develop an exemplary model of efficient federal grants management.

**Associated Activities from the Strategic Plan:**

- Conduct a process review of grant-making activities across programs to maximize efficiencies in IMLS grant review, grant management, and monitoring processes, and make appropriate changes based on the process review.
- Transition to an enhanced grants management system that will increase performance-monitoring capability, improve communications with applicants and grantees, fast track grant award processing, promote greater technical and financial stewardship, and reduce inefficiencies and costs associated with delayed project implementation and repeated project extensions.

**Benchmark for Assessing Progress:**

By FY 2013, IMLS will develop online training webinars and disseminate them using the IMLS website.

By FY 2013, IMLS will develop customer satisfaction surveys to accompany training webinars and collect baseline measures for grantee satisfaction.

**Evidence of Progress for Objective 5.1:**

**Training Webinars**

IMLS routinely offers training webinars to assist potential applicants, to improve the performance of grant recipients, and to train peer reviewers. Each discretionary grant program holds no fewer than two webinars between the competition announcement and its deadline. Webinars are announced widely and are attended by both inexperienced and experienced applicants, and all webinar content is available for download during the training.

Additionally, the Laura Bush 21st Century Librarian Program has acted as a pilot, testing the use of three web-based, narrated presentations.

The State Program Manual ("Extranet") is an online resource for personnel in State Library Administrative Agencies responsible for the administration of grants funded by the Library Services and Technology Act (LSTA) Grants to States program or the Competitive Grants to Territories and Freely Associated States. http://stateprograms.imls.gov/index.html. The Extranet includes information about statutory and regulatory requirements, yearly award guidance outlining new grant requirements, standard reporting forms and procedural information, complying with federal cost principles and other requirements, and evaluating projects and services.

In FY 2012 IMLS, with Heritage Preservation, presented WebWise Reprise, two online events based on the IMLS WebWise 2012 conference. IMLS held the WebWise Reprise in its Virtual Meeting Room of the Connecting to Collections Online Community. The Online Community draws on many resources that were developed for the initiative, including the Connecting to Collections Bookshelf and the Raising the Bar Workshops and Webinars.

The "Grants Process Improvement" strategic plan workgroup is developing customer satisfaction engagement strategies for applicants, grantees, and reviewers to refine certain aspects of our grant cycle.

**Grants Management Review**

To improve its grant making process, IMLS began an intensive review of its grant programs and grant guidelines in the Office of Museums Services in FY 2012. As a result, IMLS the purposes and funding of Museums for America and Conservation Project Support programs and combining the purposes and funding of Museum National Leadership Grants and 21st Century Museum Professionals programs for FY 2013. this consolidation will provide greater support the core conservation and collections care functions of museums and to support the highest-quality projects. In FY 2013 IMLS plans to conduct a similar review of the Office of Library Services Discretionary Programs is planned.

Despite some setbacks in FY 2012, IMLS continues its effort to move to an enhanced grants management system. The agency ended its agreement with the Department of Education to participate in its G5 consortium in FY12 but the comprehensive fit-gap analysis will help future efforts. IMLS is considering another consortium provider for small agencies, and anticipates a Memorandum of Understanding in FY 2013, with migration to a new grants management system in FY 2014. In the interim, the agency formed an internal grants process improvement team, is reviewing all grants management activities, and has increased efficiency, expanded transparency and accountability, and improve practice throughout the entire grant life cycle.

**Performance Assessment: Target Met**

**Objective 5.2:** Cultivate a culture of planning, evaluation, and evidence-based practice to maximize the impact of public investments.

**Associated Activities from the Strategic Plan:**

- Establish a data release and review policy.
- Use social media to increase the level and quality of dialogue with IMLS.
- Increase transparency and accessibility of IMLS data.
- Redesign performance reporting forms for discretionary grant programs in a manner that limits reporting to outcome measures that align with program priorities and relieves the overall burden on grantees.
- Work with State Library Administrative Agencies to develop a robust measurement system that tracks state (or local) progress toward the goal(s) of their five-year plans in alignment with IMLS's strategic plan, identifies effective and ineffective strategies, and ensures that cross-state data are standardized.

**Benchmarks for Assessing Progress:**

By FY12, 100 percent of the business plan for Grants to States performance monitoring will be completed.

By FY13, revised planning and performance monitoring protocols will be implemented for 60 percent of the IMLS grant portfolio.

**Evidence of Progress for Objective 5.2:**

- By FY 2012, 100 percent of the business plan for Grants to States performance monitoring will be completed.
- By FY 2013, revised planning and performance monitoring protocols will be implemented for 60 percent of the IMLS grant portfolio.

**Evidence of Progress for Objective 5.2:**

The most significant example of this work is the Measuring Success project, which is being done with IMLS partners, the State Library Administrative Agencies (SLAA). After the 2010 reauthorization, IMLS has worked with its state partners to improve LSTA-funded services and performance reporting. IMLS now has a business plan.

In March 2011, IMLS met with SLAA leaders to review the new legislation and discuss the implications for library service programming. IMLS established working groups were established with representatives from every state, the District of Columbia, and several U.S. territories. Over the next six months IMLS staff held over 70 webinars with SLAA representatives to develop detailed theories of change and associated logic models that mapped legislated priorities to goals with measurable outcomes.

By the winter of 2011, IMLS and the state representatives had defined six major areas for the formula grant program based on the legislated priorities:

*(1) lifelong learning,*
*(2) human services,*
*(3) employment and economic development,*
*(4) civic engagement,*
*(5) information access, and*
*(6) institutional capacity.*

The effort resulted in a new outcome-based reporting strategy for the LSTA program. In the next phase of the project, IMLS and its partners will finalize the outcome measures for the national program, develop the new web-based reporting system, and pilot test data collection and reporting. The six focal areas will be used to organize information for the evolving LSTA communities of practice.

In FY 2012, IMLS revised its Program Information Sheet to collect more pertinent data during the grant application process and will be completed by all grantees in the FY 2013 grant application process. In addition, a revised, more user-friendly budget form will also be used by all grantees in FY 2012.

In FY 2013, IMLS will finalize the new reporting requirements for the Grants to States State Program Report, based on the data collected from the Measur-

ing Success initiative. IMLS anticipates implementing those reporting requirements before the close of FY 2013.

**Performance Assessment 5.2: Targets Met**

**Objective 5.3:** Promote greater transparency and accountability of IMLS operations.

**Associated Activities from the Strategic Plan:**

- Develop a robust plan for sharing grant information with the public, including applications, grant performance reporting, and post-award analysis of success in meeting objectives.
- Initiate regular applicant and grantee customer satisfaction surveys with application and reporting guidelines.
- Develop and implement an improved, regularized customer satisfaction survey process for reviewers to monitor the efficiency of the review process and identify ways to improve IMLS grant making.

**Benchmarks for Assessing Progress:**

No FY 2012 or FY 2013 benchmarks for this goal.

**Evidence of Progress for Objective 5.3:**

The agency is using social media and other strategies to increase public participation in the development of agency programs and encourage collaboration. The agency's website highlights agency investments in community institutions as well as data and policy briefs on early learning, health, workforce, STEM learning, broadband, global awareness, and education support. IMLS has a blog that highlights what works in libraries and museums and shares evidence-based success in library and museum service nationwide. We have more than 3,700 subscribers to our Twitter feed and more than 20,000 subscribers to our e-newsletter. IMLS also uses Idea Scale, a social media platform, to get public views on its programs and activities.

IMLS is developing enhanced protocols and systems for sharing grant applications, reports, and other pertinent information with the public and customer satisfaction engagement strategies for applicants, grantees and reviewers.

**Performance Assessment: Target Met**

**Objective 5.4:** Encourage and promote an engaged and energized IMLS workforce.

**Associated Activities from the Strategic Plan:**

- Assess the success of IMLS staff in supporting the strategic plan goals; ensure staff resources are strategically aligned to IMLS priorities to maximize the use of federal dollars.
- Increase use of IMLS staff library, museum, archive, and grant expertise to further excellence in agency operations.
- Develop agency-wide training that is tied to agency mission and goals.
- Centralize IMLS training priorities to promote greater personal learning and development, increasing our subject matter experts to further the agency's mission and goals.

**Benchmarks for Assessing Progress:**

- By FY 2012, IMLS will identify high-priority training areas for all IMLS job classifications.
- By FY 2012, IMLS will complete a plan with measurable objectives for engagement of the IMLS workforce.

**Evidence of Progress for Objective 5.4:**

IMLS has assessed its entire workforce's capabilities and the related workload activities throughout IMLS. IMLS completed an OPM-sponsored 360-degree organizational assessment. This was a structured process for providing and receiving feedback from supervisors, peers, and subordinates, and was used as a developmental tool to promote self-awareness and behavioral change. The overall feedback collected from the participants was positive, and both agency-wide and individual areas of strengths and opportunities for growth were identified.

In 2012, the agency created several "workgroups" to advance the new strategic plan's goals and objectives. IMLS aligned staff resources within the workgroups based on interest, experience, and expertise in each area. The results of the workgroups will enable senior management to identify key themes necessary to further both the strategic plan and the agency's human capital plan, and realign resources as appropriate.

During the past year IMLS has centralized its training budget under its Office of Human Resources, and next year will undertake a formal agency-wide training and needs assessment inventory, consistent with OPM's Human Capital Assessment and Accountability Framework (HCAAF) workforce planning cycle to analyze its workforce data and identify and address skill gaps. As

a result of these efforts, IMLS applied for and received approved for a Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Program (VSIP).

Successful achievement in these areas will enable IMLS to have a formal knowledge management practice in place at the beginning of FY 2014. At this point all direct and indirect elements related to mission-critical and support roles and training and development needs will be known, realized, and accounted for to decrease gaps accordingly. Although IMLS did not complete the FY 2012 benchmarks for this objective, it has have a detailed work plan to complete this work.

**Performance Assessment: Target Partially Met**

## B. Additional Management Highlights

**Grants and Financial Management**

IMLS continues to look for ways to increase its efficiency and automation of the grant-making process, including the adoption of an electronic grants management system. We remain actively involved in the newly created Financial Management Line of Business (FMLOB), managed by GSA, which now includes the requirements and activities that were previously under the Grants Management Line of Business (GMLOB). IMLS plans to continue to use the Federal Aviation Administration – Enterprise Services Center (FAA-ESC) for its accounting and financial reporting requirements. This shared service provider offers IMLS reduced levels of costs and limited full-time employees.

In addition, IMLS uses these shared service providers:

- Northrop Grumman and the Department of Transportation for E-travel services.
- The General Services Administration (GSA) for the use of agency purchase and travel credit cards.
- The Department of Interior – National Business Center for payroll services and indirect cost grant proposals.

These partnerships result in cost savings and operational efficiencies, access to timely budgetary and financial reporting, and critical information necessary to make strategic agency and programmatic decisions.

**Information Technology**

The Office of the Chief Information Officer (OCIO) continues to keep the agency up to date on new technologies that improve the quality of the agency's work and the security of its network.

Cyber security has been a primary focus for the OCIO. OCIO plans to reconfigure IMLS' network structure to prevent data loss and network breaches. Also, OCIO will also assess and improve its staff IT security program to ensure the availability, confidentiality, and integrity of IMLS IT resources.

We are making a concerted effort to assist with day-to-day operations for agency staff.

Consistent with administration-wide efforts to cut costs and improve efficiency, we are exploring into alternatives to the existing Integrated Services Digital Network-based landline telephone system.

The OCIO is researching and evaluating a fully automated grant application process that would eliminate the manual process that happens after an institution applies. After submission, IMLS staff members would be able to review, share, and track the application electronically. OCIO is investigating an off-site solution, which would reduce costs and increase availability.

IMLS will pursue virtualization and space reduction efforts to reduce costs.

IMLS will expand its use of SharePoint for intranet services and as a centralized repository for agency documents and communication, reducing printing costs and increasing efficiency.

IMLS works continuously to enhance IT security and privacy programs to address evolving risks. By improving controls over sensitive data and educating employees about emerging security and privacy threats, IMLS ensures that its data and systems are appropriately secure. Just as importantly, we will continue to be proactive in researching new technologies to help our agency stay productive and efficient. Through intelligent and thoughtful management of IT resources and investments, and continuous improvements in the security of the Institute's IT infrastructure and processes, IMLS will better serve its workforce, stakeholders, and the American people.



**Performance Assessment: Target Met**

# 3. Financial Information

## A Message from the Chief Financial Officer

On behalf of the Institute of Museum and Library Services, it is my pleasure to join with Director Hildreth in presenting the Institute's FY 2012 Performance and Accountability Report. This report is an integrated presentation of our programmatic, financial, and operational achievements during the past year.

Our financial statements independent audit has been completed, and I am happy to report that the Institute received a seventh consecutive unqualified opinion, with no material weaknesses. The audit identified two findings, both of which have since been addressed by management and improved internal controls implemented within the organization.

Fiscal Year 2012 saw no significant changes or issues in the Institute's financial operations or systems. We continued our successful partnership with the Federal Aviation Administration – Enterprise Services Center (FAA-ESC) for our accounting and financial reporting services. The ability to partner with one of the Office of Management and Budget's designated Centers of Excellence affords us the opportunity to receive the numerous benefits a shared service provider can offer, at affordable costs.

During Fiscal Year 2013 we will continue to improve operational efficiencies, strengthen internal controls, and optimize the use of improved technology. We are also excited to begin new efforts this year in addressing our need for an automated grants management and payment system, which will streamline our grant-making activities from application to closeout.

The next fiscal year brings excitement and opportunity, and we are confident that our financial systems and operations will continue to support the Institute's mission and goals. I want to extend my sincere thanks and appreciation to all of the dedicated staff at IMLS whose tremendous efforts made this past year a success; your work is recognized and appreciated.

Michael D. Jerger
Chief Financial Officer
November 15, 2012

# Institute of Museum and Library Services

# Audit of Financial Statements

# As of and for the Years Ended September 30, 2012 and 2011

**Submitted By**

**Leon Snead & Company, P.C.**
*Certified Public Accountants & Management Consultants*

INSTITUTE of Museum and Library SERVICES

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Susan H. Hildreth, Director
Institute of Museum and Library Services

## Independent Auditor's Report

We have audited the balance sheets of the Institute of Museum and Library Services (IMLS) as of September 30, 2012 and 2011, and the related statements of net cost, changes in net position, and budgetary resources (the financial statements) for the years then ended. The objective of our audit was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered IMLS' internal control over financial reporting and tested IMLS' compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its financial statements.

### SUMMARY

As stated in our opinion on the financial statements, we found that IMLS' financial statements as of and for the years ended September 30, 2012 and 2011, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control would not necessarily disclose all deficiencies in internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, our testing of internal control identified no material weaknesses in financial reporting.

The results of our tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements* (as amended).

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

## OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying balance sheets of the IMLS as of September 30, 2012 and 2011, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, net cost, changes in net position, and budgetary resources of the IMLS as of and for the years ended September 30, 2012 and 2011, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, in 2012 the IMLS changed its presentation of the Statement of Net Cost to align cost reporting with its new Strategic Plan.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The performance measures, Summary of Financial Statement Audit and Management Assurances, and reporting details related to the Improper Payments Improvement Act, as amended by the Improper Payments Elimination and Recovery Act, are presented for the purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## RESPONSIBILITIES

### Management Responsibilities

Management of the IMLS is responsible for: (1) preparing the financial statements in conformity with generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control

objectives of the Federal Managers Financial Integrity Act (FMFIA) are met; and (3) complying with applicable laws and regulations. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies.

Auditor Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements* (as amended). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes (1) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In planning and performing our audit, we considered IMLS' internal control over financial reporting by obtaining an understanding of the agency's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 07-04 (as amended) and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by FMFIA. Our procedures were not designed to provide an opinion on internal control over financial reporting. Consequently, we do not express an opinion thereon.

As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and significant provisions of contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 07-04 (as amended). We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the IMLS. Providing an opinion on compliance with certain provisions of laws, regulations, and significant contract provisions and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the IMLS as of and for the years ended September 30, 2012 and 2011, in accordance with auditing standards generally accepted in the Unites States of America, we considered IMLS' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IMLS' internal control. Accordingly, we do not express an opinion on the effectiveness of IMLS' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph in this section of the report and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We noted other control deficiencies over financial reporting and its operation that we have reported to the management of the IMLS and those charged with governance in a separate letter dated November 9, 2012.

## COMPLIANCE WITH LAWS AND REGULATIONS

The results of our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, disclosed no instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin 07-04 (as amended).

## AGENCY COMMENTS AND AUDITOR EVALUATION

In commenting on the draft of this report, the management of IMLS concurred with the facts and conclusions in our report. A copy of management's response, which includes discussion of actions planned or taken to correct the reported deficiencies, accompanies this report.

**DISTRIBUTION**

This report is intended solely for the information and use of the Director, General Counsel, management and others within the IMLS, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Leon Snead & Company, P.C.
November 9, 2012

Director
Institute of Museum and Library Services
Washington, DC 20036-5802

November 9, 2012

Ms. Pat Layfield
Senior Audit Manager
Leon Snead & Company
416 Hungerford Drive, Suite 400
Rockville, Maryland 20850

Dear Ms. Layfield:

Thank you for managing the audit of the Institute of Museum and Library Services' fiscal year 2012 financial statements.

We concur with the facts and conclusion of your report, and are pleased to learn of the unqualified opinion on our financial statements and related notes. Your work helped validate the success of our continuing efforts to enhance IMLS's financial management systems and improve internal controls.

We appreciate the time and effort committed by you and your colleagues who worked on the audit. The professionalism of the audit team continues to be exemplary, and was instrumental in our efforts to complete the deliverables in a timely manner.

Yours truly,

Susan H. Hildreth

Susan H. Hildreth
Director

cc: Mike Jerger, Chief Financial Officer

## INSTITUTE OF MUSEUM AND LIBRARY SERVICES

### BALANCE SHEET

**As of September 30, 2011 and 2010**
**(in dollars)**

| | 2012 | 2011 |
|---|---|---|
| **Assets:** | | |
| Intragovernmental: | | |
| Fund balance with Treasury (Note 2) | $ 330,026,967 | $ 348,150,597 |
| Other - Advances (Note 5) | - | - |
| Total intragovernmental | 330,026,967 | 348,150,597 |
| Accounts Receivable (Note 3) | 179 | |
| General property, plant and equipment, net (Note 4) | 270,150 | 289,368 |
| Other - Grant Advances (Note 5) | 5,540,754 | 5,753,981 |
| **Total assets** | **$ 335,838,050** | **$ 354,193,946** |
| **Liabilities:** | | |
| Intragovernmental: | | |
| Other (Note 6) | $ 2,668,912 | $ 3,755,788 |
| Total intragovernmental | 2,668,912 | 3,755,788 |
| Accounts payable | 244,336 | 260,114 |
| Benefits due and payable (Note 6 ) | - | 604,184 |
| Other (Note 7) | 718,244 | 479,097 |
| Other - Grant Accrual (Note 7) | 49,105,226 | 49,816,389 |
| **Total liabilities** | 52,736,718 | 54,915,572 |
| Commitments and contingencies | - | - |
| **Net position:** | | |
| Unexpended appropriations - other funds | 281,897,866 | 298,765,329 |
| Cumulative results of operations - earmarked funds (Note 9) | 824,602 | 446,266 |
| Cumulative results of operations - other funds | 378,864 | 66,779 |
| Total net position | $ 283,101,332 | $ 299,278,374 |
| **Total liabilities and net position** | **$ 335,838,050** | **$ 354,193,946** |

The accompanying notes are an integral part of these statements

## INSTITUTE OF MUSEUM AND LIBRARY SERVICES

## STATEMENT OF NET COST

**For the Years Ending September 30, 2012 and 2011**
**(in dollars)**

In FY2012 IMLS published its new 5-year Strategic Plan (2012-2016), Creating a Nation of Learners, to enhance its ability to accomplish its mission of inspiring libraries and museums to advance innovation, lifelong learning, and cultural and civic engagement. Based on the new Strategic Plan, IMLS revised the agency's goals in the annual performance plan for the 2013 Budget of the United States Government. The IMLS has reflected those revised goals, and the related costs by goal, in the 2012 Statement of Net Cost and related notes. In accordance with generally accepted accounting principles, IMLS has reflected the change in accounting principles prospectively and has not restated its 2011 Statement of Net Cost.

| Program costs: (Note 10 & 11) | 2012 |
|---|---|
| **Goal 1: Supporting lifelong learning** | |
| Gross Costs | $ 100,543,251 |
| Less: Earned Revenue | - |
| Net Program Costs | 100,543,251 |
| **Goal 2: Promoting museums and libraries as strong community anchors** | |
| Gross Costs | $ 69,355,362 |
| Less: Earned Revenue | - |
| Net Program Costs | 69,355,362 |
| **Goal 3: Supporting exemplary stewardship of museum and library collections** | |
| Gross Costs | $ 79,664,188 |
| Less: Earned Revenue (Note 12) | 1,314,621 |
| Net Program Costs | 78,349,567 |
| **Goal 4: Sustaining and increasing public access to information and ideas** | |
| Gross Costs | $ 1,188,988 |
| Less: Earned Revenue | - |
| Net Program Costs | 1,188,988 |
| **Net Cost of Operations** | **$ 249,437,168** |

| Program costs: (Note 10 & 11) | 2011 |
|---|---|
| **Goal 1: Sustaining Heritage, Culture and Knowledge** | |
| Gross Costs | $ 20,250,271 |
| Less: Earned Revenue (Note 12) | 987,182 |
| Net Program Costs | 19,263,089 |
| **Goal 2: Enhancing Learning and Innovation** | |
| Gross Costs | $ 210,266,737 |
| Less: Earned Revenue | - |
| Net Program Costs | 210,266,737 |
| **Goal 3: Building Professional Capacity** | |
| Gross Costs | $ 41,367,311 |
| Less: Earned Revenue | - |
| Net Program Costs | 41,367,311 |
| **Goal 4: Increase Administrative Capacity for Excellence** | |
| Gross Costs | $1,059,412 |
| Less: Earned Revenue | - |
| Net Program Costs | 1,059,412 |
| **Net Cost of Operations** | **$ 271,956,549** |

## INSTITUTE OF MUSEUM AND LIBRARY SERVICES

## STATEMENT OF CHANGES IN NET POSITION

**For the Years Ending September 30, 2012 and 2011**
**(in dollars)**

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | Earmarked Funds | All Other Funds | Consolidated Total | Earmarked Funds | All Other Funds | Consolidated Total |
| **Cumulative Results Of Operations:** | | | | | | |
| Beginning Balances | $ 446,266 | $ 66,779 | $ 513,045 | $ 532,283 | $ 456,989 | $ 989,272 |
| Adjustments: | | | | | | |
| Changes in accounting priciples | - | | - | - | | - |
| Corrections of errors | - | (30,576) | (30,576) | - | - | - |
| Beginning Balance, as adjusted | 446,266 | 36,203 | 482,469 | 532,283 | 456,989 | 989,272 |
| **Budgetary Financing Sources:** | | | | | | |
| Appropriations Used | - | 248,904,834 | 248,904,834 | - | 270,848,886 | 270,848,886 |
| Nonexchange Revenue | - | - | - | - | - | - |
| Donations of Cash and Cash Equivalents | 676,510 | - | 676,510 | 19,699 | - | 19,699 |
| Transfers in/out without reimbursement | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| **Other Financing Sources (Non-Exchange):** | | | | | | |
| Imputed financing | - | 576,821 | 576,821 | - | 611,737 | 611,737 |
| Total Financing Sources | 676,510 | 249,481,655 | 250,158,165 | 19,699 | 271,460,623 | 271,480,322 |
| Net Cost of Operations | 298,174 | 249,138,994 | 249,437,168 | 105,716 | 271,850,833 | 271,956,549 |
| Net Change | 378,336 | 342,661 | 720,997 | (86,017) | (390,210) | (476,227) |
| **Cumulative Results Of Operations** | **$ 824,602** | **$ 378,864** | **$ 1,203,466** | **$ 446,266** | **$ 66,779** | **$ 513,045** |
| **Unexpended Appropriations:** | | | | | | |
| Beginning Balance | - | 298,765,329 | 298,765,329 | - | 334,969,218 | 334,969,218 |
| Adjustments: | | | | | | |
| Changes in accounting priciples | - | - | - | - | - | - |
| Corrections of errors | - | 83,595 | 83,595 | - | - | - |
| Beginning Balance, as adjusted | - | 298,848,923 | 298,848,923 | - | 334,969,218 | 334,969,218 |
| **Budgetary Financing Sources:** | | | | | | |
| Appropriations Received | - | 232,393,000 | 232,393,000 | - | 237,869,000 | 237,869,000 |
| Appropriations transferred in/out | - | - | - | - | - | - |
| Other Adjustments | - | (439,223) | (439,223) | - | (3,224,003) | (3,224,003) |
| Appropriations Used | - | (248,904,834) | (248,904,834) | - | (270,848,886) | (270,848,886) |
| Total Budgetary Financing Sources | - | (16,951,057) | (16,951,057) | - | (36,203,889) | (36,203,889) |
| Total Unexpended Appropriations | - | 281,897,866 | 281,897,866 | - | 298,765,329 | 298,765,329 |
| **Net Position** | **$ 824,602** | **$ 282,276,730** | **$ 283,101,332** | **$ 446,266** | **$ 298,832,108** | **$ 299,278,374** |

## INSTITUTE OF MUSEUM AND LIBRARY SERVICES

## STATEMENT OF BUDGETARY RESOURCES

**For the Years Ending September 30, 2012 and 2011**
**(in dollars)**

| | 2012 Budgetary | 2011 Budgetary |
|---|---|---|
| **Budgetary Resources:** | | |
| Unobligated balance, brought forward, October 1 | $ 7,769,826 | $ 9,567,348 |
| Adjustment to unobligated balance brought forward , October 1 (+ or -) | - | - |
| Unobligated balance brought forward, October 1, as adjusted | 7,769,826 | 9,567,348 |
| Recoveries of prior year unpaid obligations | 2,494,950 | 3,180,347 |
| Other changes in unobligated balance (+ or -) | | |
| Unobligated balance from prior year budget authority, net | 10,264,775 | 12,747,695 |
| Appropriations (discretionary and mandatory) | 232,630,287 | 234,664,696 |
| Borrowing authority (discretionary and mandatory) | - | - |
| Contract authority (discretionary and mandatory) | - | - |
| Spending authority from offsetting collections (discretionary and mandatory) | 107,894 | 2,067,716 |
| Total Budgetary Resources | $ 243,002,956 | $ 249,480,107 |
| **Status of Budgetary Resources:** | | |
| Obligations incurred (Note 13) | $ 233,180,525 | $ 241,710,282 |
| Unobligated balance, end of year: | | |
| Apportioned | 2,808,252 | 2,019,036 |
| Exempt from apportionment | 310,181 | 341,284 |
| Unapportioned | 6,703,998 | 5,409,505 |
| Unobligated balance, end of year | 9,822,431 | 7,769,825 |
| Total Budgetary Resources | $ 243,002,956 | $ 249,480,107 |
| **Change in Obligated Balance:** | | |
| Unpaid obligations, brought forward, October 1 (gross) | $ 340,380,771 | $ 376,188,364 |
| Uncollected customer payments from Federal sources, brought forward, Oct 1 (-) | - | - |
| Obligated balance, start of year (net), before adjustments (+ or -) | 340,380,771 | 376,188,364 |
| Adjustment to obligated balance, start of year (net) (+ or -) | - | - |
| Obligated balance, start of year (net), as adjusted | 340,380,771 | 376,188,364 |
| Obligations incurred | 233,180,525 | 241,710,282 |
| Outlays (gross) (-) | (250,861,810) | (274,337,528) |
| Change in uncollected customer payments from Federal sources (+ or -) | - | - |
| Actual transfers, unpaid obligations (net) (+ or -) | - | - |
| Actual transfers, uncollected payments from Federal sources (net) (+ or -) | - | - |
| Recoveries of prior year unpaid obligations (-) | (2,494,950) | (3,180,347) |
| Obligated balance, end of year | | |
| Unpaid obligations, end of year (gross) | 320,204,536 | 340,380,771 |
| Uncollected customer payments from Federal sources, end of year | - | - |
| Obligated balance, end of year (net) | $ 320,204,536 | $ 340,380,771 |
| **Budget Authority and Outlays, Net:** | | |
| Budget authority, gross (discretionary and mandatory) | $ 232,738,181 | $ 236,732,412 |
| Actual offsetting collections (discretionary and mandatory) (-) | (107,894) | (2,067,716) |
| Change in uncollected customer payments from Federal sources(disc & mand) (+ or-) | | |
| Anticipated offsetting collections (discretionary and mandatory) (+ or -) | | |
| Budget authority, net (discretionary and mandatory) | $ 232,630,287 | $ 234,664,696 |
| Outlays, gross (discretionary and mandatory) | $ 250,861,810 | $ 274,337,528 |
| Actual offsetting collections (discretionary and mandatory) (-) | (107,894) | (2,067,716) |
| Outlays, net (discretionary and mandatory) | 250,753,916 | 272,269,812 |
| Distributed offsetting receipts (-) | (676,510) | (21,592) |
| Agency outlays, net (discretionary and mandatory) | $ 250,077,406 | $ 272,248,220 |

# INSTITUTE OF MUSEUM AND LIBRARY SERVICES
## NOTES TO THE FINANCIAL STATEMENTS

**As of September 30, 2012 and 2011**
**(in dollars)**

## Note 1 Significant Accounting Policies

The Financial Statements are presented in accordance with the accounting principles, reporting standards, and circulars of the principal central agencies of the Department of Treasury (Treasury); the Government Accountability Office (GAO); and the Office of Management and Budget (OMB).

### A. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the Institute of Museum and Library Services (IMLS) as required by the Accountability of Tax Dollars Act of 2002 (ATDA), Public Law No. 107-289. The statements have been prepared from the books and records of IMLS in accordance with the form and content for entity financial statements, as specified by OMB Circular A-136, Financial Reporting Requirements, and IMLS accounting policies, which are summarized in this note. This statement differs from agency financial management reports also prepared by IMLS pursuant to OMB directives that are used to monitor and control IMLS' use of budgetary resources.

### B. Reporting Entity

The Institute is the primary source of federal support for the nation's 123,000 libraries and 17,500 museums. Its mission is to grow and sustain a "Nation of Learners" because life-long learning is essential to a democratic society and individual success. Through its grant making, convenings, research and publications, the Institute empowers museums and libraries nationwide to provide leadership and services to enhance learning in families and communities, sustain cultural heritage, build twenty-first-century skills, and increase civic participation.

The activities of IMLS are authorized by Chapter 72 of Title 20 of the U.S. Code (20 USC Section 9101 *et seq.*), which codifies the Museum and Library Services Act, as amended, as well as Section 80r-5(b) of Title 20 of the U.S. Code (20 USC Section 80r-5(b)), which codifies the National Museum of African American History and Culture Act.

As a federal agency administering discretionary federal programs, IMLS receives its funding through the indefinite appropriation process. It is one of several independent agencies whose spending limits each year are established in the Labor, Health and Human Services, Education, and Related Agencies Appropriations Act.

### C. Budgets and Budgetary Accounting

The activities of IMLS are authorized by Chapter 72 and Section 80r-5(b) of Title 20 of the U.S. Code. As a federal agency that administers discretionary programs, IMLS is funded through the indefinite appropriations process. IMLS's function is to support museum and library services.

### D. Basis of Accounting

Transactions are recorded on an accrual accounting basis and budgetary basis. 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. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.

### E. Fund Balance with Treasury and Cash

Cash receipts and disbursements are processed by the U.S. Department of the Treasury. IMLS does not maintain cash in commercial bank accounts. Funds with Treasury are available to pay current liabilities and finance authorized purchase obligations.

### F. Advances and Prepayments

IMLS records grant payments for work not yet performed at year-end as advances. The advances are recorded as expenses in subsequent fiscal years.

### G. Revenues and Other Financing Sources

IMLS receives funding through annual Congressional appropriations from the budget of the United States. In addition, IMLS was granted the authority to accept donations and to invest in interest-bearing accounts. These donations may be restricted as to the purpose or time period for which they are provided.

## H. Non-Entity Assets and Liabilities

Non-entity assets are defined as those assets that are held and managed by IMLS but are not available to finance IMLS operations. An amount equal to the non-entity assets is recognized as an entity liability under Other Liabilities.

## I. General Property, Plant and Equipment

IMLS' policy is to depreciate property, plant and equipment over the estimated useful life of the asset using the straight-line depreciation method. IMLS' capitalization threshold is $5,000 for individual purchases and $50,000 for aggregate purchases with a minimum $2,500 per item. Estimated useful lives by asset class are as shown below:

| Asset Class | Useful Life |
|---|---|
| Computer equipment & software | 3 years |
| Office equipment | 5 years |
| Furniture | 7 years |
| Leasehold improvement | Lease Term |

## J. Liabilities

Liabilities represent transactions or events that have already occurred for which IMLS will likely pay. No liability can be paid, however, absent an appropriation, or in some cases donated funds. Liabilities for which an appropriation has not been enacted are classified as not covered by budgetary resources, because there is no absolute certainty that the appropriation will be enacted. Also, liabilities can be abrogated by the Government acting in its sovereign capacity.

## K. Accounts Payable

Accounts payable consists of amounts owed to other federal agencies and commercial vendors. Accounts payable to commercial vendors are expenses for goods and services received but not yet paid by IMLS.

## L. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued leave account is adjusted to reflect current pay rates and balances. To the extent current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

## M. Retirement Plans

IMLS employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). FERS was established by enactment of Public Law 99-335. Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 participate in CSRS unless they elected to join FERS and Social Security.

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in FERS, a TSP account is automatically established and IMLS makes a mandatory one percent contribution to this account. In addition, IMLS makes matching contributions, ranging from one to four percent, for FERS-eligible employees who contribute to their TSP accounts. Matching contributions are not made to the TSP accounts established by CSRS employees.

## N. Imputed Benefit Costs

IMLS reports imputed benefit costs on Life Insurance, Health Insurance, and Retirement. The Office of Personnel Management (OPM) supplies certain cost factors that are applied to the Agency's records.

## O. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes available, which could impact the amounts reported and disclosed herein.

The grant accrual amount is computed using the straight line method. The average monthly expenditure is calculated by dividing the available grant balance by the remaining months based on the grant end date, except for the LSTA Grants to States. The Grants to States accrual estimate is based on IMLS performing a data call to each State Library Agency to obtain their accrual estimates for the reporting period for all open grants. The Grants to States program alone represents approximately 50 percent of IMLS program funds and from a cost/benefit perspective is the only program that can employ the data call approach because of the low volume of grants.

## P. Federal employee and veteran benefits

There are no federal employee and veteran benefits liabilities that require disclosure.

## Q. Commitments and Contingencies

There are no commitments or contingencies that require disclosure.

## Note 2 Fund Balance with Treasury

| | 2012 | | |
|---|---|---|---|
| **Intragovernmental:** | **Entity** | **Non-Entity** | **Total** |
| Trust Fund | $ 897,577 | $ - | $ 897,577 |
| Investments | - | - | - |
| Annual Appropriated Fund | 319,714,113 | - | 319,714,113 |
| No Year Appropriated Funds | 9,415,277 | - | 9,415,277 |
| Treasury Misc. Receipts | - | - | - |
| Total | $330,026,967 | $ - | $330,026,967 |

| | 2011 | | |
|---|---|---|---|
| **Intragovernmental:** | **Entity** | **Non-Entity** | **Total** |
| Trust Fund | $ 479,154 | $ - | $ 479,154 |
| Investments | - | - | - |
| Annual Appropriated Fund | 330,708,915 | - | 330,708,915 |
| No Year Appropriated Funds | 16,962,528 | - | 16,962,528 |
| Treasury Misc. Receipts | - | - | - |
| Total | $348,150,597 | $ - | $348,150,597 |

| **Status of Fund Balance with Treasury:** | **2012** |
|---|---|
| Unobligated Balance | |
| Avaliable | $ 3,118,433 |
| Unavailable- No Year / Admin | 7,406 |
| Unavailable- No Year / Program | 1,465,611 |
| Unavailable- Annual Funds | 5,230,981 |
| Obligated Balance Not Yet Disbursed | 320,204,536 |
| Non-Budgetary FBWT | - |
| Total | $ 330,026,967 |

| **Status of Fund Balance with Treasury:** | **2011** |
|---|---|
| Unobligated Balance | |
| Avaliable | $ 2,360,320 |
| Unavailable- No Year / Admin | 7,391 |
| Unavailable- No Year / Program | 1,507,983 |
| Unavailable- Annual Funds | 3,894,132 |
| Obligated Balance Not Yet Disbursed | 340,380,771 |
| Non-Budgetary FBWT | - |
| Total | $ 348,150,597 |

## Note 3 Accounts Receivable, Net

The accounts receivable represent a billing for an overpayment of a reimbursement to a grantee in the amount of $179. IMLS does not incur accounts receivable as part of its primary operations.

## Note 4 General Property, Plant & Equipment

| Major Class | 2012 Acquisition Value | 2012 Accumulated Amortization | 2012 Net Book Value |
|---|---|---|---|
| Leasehold Improvements | $ 782,914 | $ 587,185 | $ 195,729 |
| Work In Progress | 48,974 | - | 48,974 |
| Equipment | 264,210 | 238,763 | 25,447 |
| Total PP&E | $ 1,096,098 | $ 825,948 | $ 270,150 |

| Major Class | 2011 Acquisition Value | 2011 Accumulated Amortization | 2011 Net Book Value |
|---|---|---|---|
| Leasehold Improvements | $ 782,914 | $ 508,895 | $ 274,019 |
| Total PP&E | 172,163 | 156,814 | 15,349 |
| Total PP&E | $ 955,077 | $ 665,709 | $ 289,368 |

The leasehold improvement is the portion of the building lease recorded as a capital lease. The amount capitalized represents the present value of monthly lease payments for the improvements of $8,120.67 over 120 months, or 10 years. The imputed interest cost used in calculating the net present value of the lease payments was based on OMB Circular A-94, *Discount Rates for Cost Effectiveness, Lease Purchase, and Related Analysis*, which listed Treasury's 2005 nominal interest rate for a 10-year period as 4.6 percent.

The work in progress is the amount of contracting costs incurred associated with the Reimbursable Work Agreement for the reconfiguration and renovation of the office space. Upon completion in FY 2013, these costs will be transferred to the proper capital asset account, and depreciation will be calculated.

The equipment net book value represents information technology equipment that was acquired from 2009 to 2011 at a cost of $92,047. The impact of initially expensing these assets in the year of acquisition and then properly capitalizing and recording the depreciation expense in FY 2012 is represented as an adjustment to the beginning balance of the 2012 Cumulative Results of Operations on the Statement of Net Position. The majority of these assets have been fully depreciated.

## Note 5 Other Assets

| | 2012 | 2011 |
|---|---|---|
| Intragovernmental Advances | $ - | $ - |
| Grant Advances | 5,540,754 | 5,753,981 |
| Total Other Assets | $ 5,540,754 | $ 5,753,981 |

Grantees are authorized by OMB to request advances toward grant awards. IMLS policy states that advances are limited to the recipient's immediate cash needs and must be fully disbursed within 30 days. Grantees are required to report on the status of funds paid in advance by submitting a Request for Advance or Reimbursement (SF-270) within 30 days of receipt. The amount of Other Assets represents the total amount of advances requested and paid to grantees as of the year ending September 30, 2012.

## Note 6 Liabilities Not Covered by Budgetary Resources

| | 2012 |
|---|---|
| Intragovernmental: | |
| Other Unfunded Employment | $ 32,761 |
| Total intragovernmental | 32,761 |
| Accounts Payable | - |
| Accrued Unfunded Leave | 579,835 |
| Misc. Receipts Payable to Treasury | - |
| Total liabilities not covered by budgetary resources | 612,596 |
| Total liabilities covered by budgetary resources | 52,124,122 |
| Total liabilities | $ 52,736,718 |

| | 2011 |
|---|---|
| Intragovernmental: | |
| Other Unfunded Employment | $ 34,136 |
| Total intragovernmental | 34,136 |
| Accounts Payable | - |
| Accrued Unfunded Leave | 604,184 |
| Misc. Receipts Payable to Treasury | - |
| Total liabilities not covered by budgetary resources | 638,320 |
| Total liabilities covered by budgetary resources | 54,277,252 |
| Total liabilities | $ 54,915,572 |

## Note 7 Other Liabilities

| | 2012 | | |
|---|---|---|---|
| | Non-Current | Current | Total |
| Intragovernmental: | | | |
| Liability for Prepayments | $ - | $ 2,374,645 | $ 2,374,645 |
| Employer Contrib. & PR Tax | - | 64,548 | 64,548 |
| Capital Leases | 229,719 | - | 229,719 |
| Misc Receipts due to Treasury | - | - | - |
| Total Intragovernmental | $ 229,719 | $ 2,439,193 | $ 2,668,912 |
| Public: | | | |
| Accrued Pay and Benefits | - | 718,244 | 718,244 |
| Misc. Receipts due to Treasury | - | - | - |
| Grant Accrual | - | 49,105,226 | 49,105,226 |
| Total Other Liabilities | $ 229,719 | $ 52,262,663 | $ 52,492,382 |

| | 2011 | | |
|---|---|---|---|
| | Non-Current | Current | Total |
| Intragovernmental: | | | |
| Liability for Prepayments | $ - | $ 3,689,267 | $ 3,689,267 |
| Employer Contrib. & PR Tax | - | 66,521 | 66,521 |
| Misc Receipts due to Treasury | - | - | - |
| Total Intragovernmental | $ - | $ 3,755,788 | $ 3,755,788 |
| Public: | | | |
| Accrued Pay and Benefits | - | 164,624 | 164,624 |
| Capital Leases | 314,473 | - | 314,473 |
| Misc. Receipts due to Treasury | - | - | - |
| Grant Accrual | - | 49,816,389 | 49,816,389 |
| Total Other Liabilities | $ 314,473 | $ 53,736,801 | $ 54,051,274 |

The reclassification of the capital lease from Public in FY 2011 to Intragovernmental in FY 2012 is due to the vendor for which the lease is payable to, the General Services Administration, which is a federal entity.

The increase in Accrued Pay and Benefits from FY 2011 to FY 2012 is primarily due to the inclusion of accrued unfunded leave of $579,835 in the Other line item of the Balance Sheet. In FY 2011 this liability was reported separately as part of Benefits Due and Payable.

## Note 8 Leases

| IMLS as Lessee<br>Capital Leases: | 2012 |
|---|---|
| Summary of Assets Under Capital Lease: | |
| Leasehold Improvements | $ 782,914 |
| Accumulated Amortization | 587,185 |
| Net | $ 195,729 |

| IMLS as Lessee<br>Capital Leases: | 2011 |
|---|---|
| Summary of Assets Under Capital Lease: | |
| Leasehold Improvements | $ 782,914 |
| Accumulated Amortization | 508,895 |
| Net | $ 274,019 |

### Description of Lease Arrangements:

In fiscal year 2005, IMLS entered into a 10-year occupancy agreement with the U.S. General Services Administration (GSA) to lease office space. Part of the monthly lease payment for the premises is allocable to leasehold improvements. This portion of the rent has been recorded as a capital lease in an amount representing the present value of all future lease payments. The sum of the monthly payments for leasehold improvements is $974,480. The present value was calculated using an interest rate of 4.6 percent, obtained from OMB Circular A-94, *Discount Rates for Cost Effectiveness, Lease Purchase, and Related Analysis.*

**Future Payments Due:**

| Fiscal Year | 2012 Leasehold Improvements |
|---|---|
| 2013 | 97,448 |
| 2014 | 97,448 |
| 2015 | 48,724 |
| Total Future Capital Lease Payments | 243,620 |
| Less: Imputed Interest | 13,901 |
| Net Capital Lease Liability | $ 229,719 |
| Lease liabilities covered by budgetary resources | $ 229,719 |

| Fiscal Year | 2011 Leasehold Improvements |
|---|---|
| 2012 | 97,448 |
| 2013 | 97,448 |
| 2014 | 97,448 |
| 2015 | 48,724 |
| Total Future Capital Lease Payments | 341,068 |
| Less: Imputed Interest | 26,595 |
| Net Capital Lease Liability | $ 314,473 |
| Lease liabilities covered by budgetary resources | $ 314,473 |

## Operating Leases:

IMLS has an occupancy agreement with GSA for office space occupied by the Institute. The term of the lease is from April 1, 2005, through March 31, 2015.

**Future Payments Due:**

| Fiscal Year | 2012 Office Space |
|---|---|
| 2013 | 2,134,167 |
| 2014 | 2,166,679 |
| 2015 | 1,093,043 |
| Total Future Lease Payments | $ 5,393,889 |

| Fiscal Year | 2011 Office Space |
|---|---|
| 2012 | $ 2,108,338 |
| 2013 | 2,134,167 |
| 2014 | 2,166,679 |
| 2015 | 1,093,043 |
| Total Future Lease Payments | $ 7,502,227 |

## Note 9 Earmarked Funds

IMLS has an earmarked fund for Gifts & Donations. The Treasury Symbol for this fund is 59X8080, Gifts and Donations, Institute of Museum Services. The DELPHI accounting system tracks the activity in this fund via a unique code

| Balance Sheet as of September 30 | 2012 | 2011 |
|---|---|---|
| ASSETS | | |
| Fund balance with Treasury | $ 897,577 | $ 479,154 |
| Investment | - | - |
| Other Assets | - | - |
| Total Assets | $ 897,577 | $ 479,154 |
| | | |
| LIABILITIES and NET POSITION | | |
| Other Liabilities | $ 72,975 | $ 32,888 |
| | | |
| Cumulative Results of Operations | 824,602 | 446,266 |
| | | |
| Total Liabilities and Net Position | $ 897,577 | $ 479,154 |

| Statement of Net Cost for the Year ended September 30 | | |
|---|---|---|
| Program Costs | $ (298,174) | $ (105,716) |
| Less Resources | 676,510 | 19,699 |
| Excess of Donations Received Over Cost Incurred | $ 378,336 | $ (86,017) |

| Statement of Changes in Net Postion for the Year ended September 30 | | |
|---|---|---|
| Net Position Beginning of Period | $ 446,266 | $ 532,283 |
| Change in Net Position | 378,336 | (86,017) |
| Net Position End of Period | $ 824,602 | $ 446,266 |

## Note 10 Intragovernmental Costs and Exchange Revenue by Program/Goal

In FY2012 IMLS published its new 5-year Strategic Plan (2012-2016), Creating a Nation of Learners, to enhance its ability to accomplish its mission of inspiring libraries and museums to advance innovation, lifelong learning, and cultural and civic engagement. Based on the new Strategic Plan, IMLS revised the agency's goals in the annual performance plan for the 2013 Budget of the United States Government. The IMLS has reflected those revised goals, and the related costs by goal, in the 2012 Statement of Net Cost and related notes. In accordance with generally accepted accounting principles, IMLS has reflected the change in accounting principles prospectively and has not restated its 2011 Statement of Net Cost.

| | 2012 |
|---|---|
| **Goal 1: Supporting lifelong learning** | |
| Intragovernmental costs | $ 1,390,027 |
| Public Costs | 99,153,224 |
| Less: Intragovernmental earned revenue | - |
| Less: Public earned revenue | - |
| Net Program Cost | $ 100,543,251 |
| **Goal 2: Promoting museums and libraries as strong community anchors** | |
| Intragovernmental costs | $ 906,210 |
| Public Costs | 68,449,152 |
| Less: Intragovernmental earned revenue | - |
| Less: Public earned revenue | - |
| Net Program Cost | $ 69,355,362 |
| **Goal 3: Supporting exemplary stewardship of museum and library collections** | |
| Intragovernmental costs | $ 1,078,625 |
| Public Costs | 78,585,563 |
| Less: Intragovernmental earned revenue | 1,314,621 |
| Less: Public earned revenue | - |
| Net Program Cost | $ 78,349,567 |
| **Goal 4: Sustaining and increasing public access to information and ideas** | |
| Intragovernmental costs | $ 969,535 |
| Public Costs | 219,453 |
| Less: Intragovernmental earned revenue | - |
| Less: Public earned revenue | - |
| Net Program Cost | $ 1,188,988 |
| **Net Cost of Operations** | **$ 249,437,168** |

| | 2011 |
|---|---|
| **Goal 1: Sustaining Heritage, Culture and Knowledge** | |
| Intragovernmental costs | $ 663,743 |
| Public Costs | 19,586,528 |
| Less: Intragovernmental earned revenue | 987,182 |
| Less: Public earned revenue | - |
| Net Program Cost | 19,263,089 |
| **Goal 2: Enhancing Learning and Innovation** | |
| Intragovernmental costs | $ 2,190,223 |
| Public Costs | 208,076,514 |
| Less: Intragovernmental earned revenue | - |
| Less: Public earned revenue | - |
| Net Program Cost | 210,266,737 |
| **Goal 3: Building Professional Capacity** | |
| Intragovernmental costs | $ 753,490 |
| Public Costs | 40,613,821 |
| Less: Intragovernmental earned revenue | - |
| Less: Public earned revenue | - |
| Net Program Cost | 41,367,311 |
| **Goal 4: Increase Administrative Capacity for Excellence** | |
| Intragovernmental costs | $ 869,646 |
| Public Costs | 189,766 |
| Less: Intragovernmental earned revenue | - |
| Less: Public earned revenue | - |
| Net Program Cost | 1,059,412 |
| **Net Cost of Operations** | **$ 271,956,549** |

## Note 11 Suborganization Program Costs/Program Costs by Segment

| Program costs: | Library State Grants | Library Other Grants | 2012 Museum Grants | Administrative | Total |
|---|---|---|---|---|---|
| **Goal 1: Supporting lifelong learning** | | | | | |
| Gross Costs | $ 50,994,845 | $ 24,603,735 | $ 18,388,377 | $ 6,556,294 | $ 100,543,251 |
| Less: Earned Revenue | - | - | - | - | - |
| Net Program Costs | 50,994,845 | $ 24,603,735 | $ 18,388,377 | $ 6,556,294 | $ 100,543,251 |
| **Goal 2: Promoting museum and libraries as strong community anchors** | | | | | |
| Gross Costs | $ 50,994,845 | $ 7,088,312 | $ 7,482,385 | $ 3,789,820 | $ 69,355,362 |
| Less: Earned Revenue | - | - | - | - | - |
| Net Program Costs | $ 50,994,845 | $ 7,088,312 | $ 7,482,385 | $ 3,789,820 | $ 69,355,362 |
| **Goal 3: Supporting exemplary stewardship of museum and library collections** | | | | | |
| Gross Costs | $ 50,994,846 | $ 11,420,583 | $ 12,363,018 | $ 4,885,741 | $ 79,664,188 |
| Less: Earned Revenue | - | - | 1,314,621 | - | 1,314,621 |
| Net Program Costs | $ 50,994,846 | $ 11,420,583 | $ 11,048,397 | $ 4,885,741 | $ 78,349,567 |
| **Goal 4: Sustaining and increasing public access to information and ideas** | | | | | |
| Gross Costs | $ - | $ - | $ - | $ 1,188,988 | $ 1,188,988 |
| Less: Earned Revenue | - | - | - | - | - |
| Net Program Costs | $ - | $ - | $ - | $ 1,188,988 | $ 1,188,988 |
| **Net Cost of Operations** | $ 152,984,536 | $ 43,112,630 | $ 36,919,159 | $ 16,420,843 | $ 249,437,168 |

| Program costs: | Library State Grants | Library Other Grants | 2011 Museum Grants | Administrative | Total |
|---|---|---|---|---|---|
| **Goal 1: Sustaining Heritage, Culture and Knowledge** | | | | | |
| Gross Costs | $ - | $ 6,927,664 | $ 10,752,939 | $ 2,569,668 | $ 20,250,271 |
| Less: Earned Revenue | - | - | 987,182 | - | 987,182 |
| Net Program Costs | - | $ 6,927,664 | $ 9,765,757 | $ 2,569,668 | $ 19,263,089 |
| **Goal 2: Enhancing Learning and Innovation** | | | | | |
| Gross Costs | $ 174,372,103 | $ 7,269,427 | $ 17,927,660 | $ 10,697,547 | $ 210,266,737 |
| Less: Earned Revenue | - | - | - | - | - |
| Net Program Costs | $ 174,372,103 | $ 7,269,427 | $ 17,927,660 | $ 10,697,547 | $ 210,266,737 |
| **Goal 3: Building Professional Capacity** | | | | | |
| Gross Costs | $ - | $ 26,673,177 | $ 11,346,223 | $ 3,347,911 | $ 41,367,311 |
| Less: Earned Revenue | - | - | - | - | - |
| Net Program Costs | $ - | $ 26,673,177 | $ 11,346,223 | $ 3,347,911 | $ 41,367,311 |
| **Goal 4: Increase Administrative Capacity for Excellence** | | | | | |
| Gross Costs | $ - | $ - | $ - | $ 1,059,412 | $ 1,059,412 |
| Less: Earned Revenue | - | - | - | - | - |
| Net Program Costs | $ - | $ - | $ - | $ 1,059,412 | $ 1,059,412 |
| **Net Cost of Operations** | $ 174,372,103 | $ 40,870,268 | $ 39,039,640 | $ 17,674,538 | $ 271,956,549 |

## Note 12 Exchange Revenue

Exchange Revenue in the amount of $1,314,621 and $987,182 was recorded in FY 2012 and FY 2011, respectively. Exchange revenue is related to an interagency agreement with the Department of Interior, National Park Service to issue and manage Save America's Treasures grants in accordance with appropriation language.

Pricing policy – Generally, when providing products and services, IMLS sets prices to recover the full costs incurred unless otherwise noted in the interagency agreement.

## Note 13 Apportionment Categories of Obligations Incurred

The amount of direct and reimbursable obligations incurred against amounts apportioned under Category A, Quarterly, Category B, Annual, and Exempt from Apportionment as of September 30:

| | 2012 | | |
|---|---|---|---|
| | No Year | Annual | Total |
| Obligations Incurred: | | | |
| Category A, Direct Obligations | $ 203,063 | $ 16,219,991 | $ 16,423,054 |
| Category B, Direct Obligations | 492,212 | 215,557,645 | 216,049,857 |
| Category B, Reimbursable | - | - | - |
| Exempt from Apportionment | 707,614 | - | 707,614 |
| Total obligations incurred | $ 1,402,889 | $ 231,777,636 | $ 233,180,525 |

| | 2011 | | |
|---|---|---|---|
| | No Year | Annual | Total |
| Obligations Incurred: | | | |
| Category A, Direct Obligations | $ 64,526 | $ 16,736,630 | $ 16,801,156 |
| Category B, Direct Obligations | 2,138,036 | 220,622,880 | 222,760,916 |
| Category B, Reimbursable | - | 2,031,831 | 2,031,831 |
| Exempt from Apportionment | 116,379 | - | 116,379 |
| Total obligations incurred | $ 2,318,941 | $ 239,391,341 | $ 241,710,282 |

## Note 14 Explanation of Differences between the Statement of Budgetary Resources and the Budget of the Unites States Government

The President's Budget, which includes actual numbers for fiscal year 2012, has not yet been published. Actual numbers for fiscal year 2012 will be included in the President's Budget for fiscal year 2014, scheduled to be released in February 2013. The budget can be found at http://www.whitehouse.gov/omb when it becomes available.

No material differences exist between the amounts reported in the FY 2011 Statement of Budgetary Resources and the 2011 actual amounts reported in the 2013 Budget of the United States Government. The Budget of the United States is displayed to the nearest million, while the Statement of Budgetary Resources is displayed in dollars. The difference noted under Budgetary Resources Available for Obligation is due to a combination of rounding and the IMLS Gift and Donations fund, which is not subject to appropriation.

| FY2011 (in Millions of Dollars) | Budgetary Resources Available for Obligation | Obligations Incurred | Distributed Offsetting Receipts | Net Outlays |
|---|---|---|---|---|
| Budget of the U.S. Government | $248 | $242 | $0 | $272 |
| IMLS Statement of Budgetary Resources | $249 | $242 | $0 | $272 |
| Differences | $1 | $0 | $0 | $0 |

## Note 15 Undelivered orders at the end of the period

| | 2012 | 2011 |
|---|---|---|
| Undelivered orders as of September 30 | | |
| Administrative | $ 3,039,874 | $ 2,856,401 |
| Program | 272,356,764 | 295,637,211 |
| Exempt from Apportionment | 514,421 | 104,981 |
| Total undelivered orders | 275,911,059 | 298,598,593 |

## Note 16 Incidental Custodial Collections

Custodial collections made by IMLS are deposited and reported into a designated miscellaneous receipt account. At fiscal year-end all custodial collections are returned to the U.S. Treasury.

| | 2012 | 2011 |
|---|---|---|
| Income from IMLS projects funded in prior years | 1,120 | 1,893 |
| Disposition of collections: | | |
| Transferred to Treasury (general fund) | 1,120 | 1,893 |
| Net custodial revenue activity | - | - |

## Note 17 Explanations of Differences between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods

Components that comprise liabilities not covered by budgetary resources represent the cumulative balance of the liability. By contrast, components requiring or generating resources in future periods included in the reconciliation of net cost of operations to budget represent the change in the liability created in the current year.

## Note 18 Reconciliation of Net Cost of Operations to Budget

| | 2012 | 2011 |
|---|---|---|
| **Resources Used to Finance Activities:** | | |
| Budgetary Resources Obligated | | |
| Obligations incurred | $ 233,180,525 | $ 241,710,282 |
| Less: Spending authority from offsetting collections and recoveries | (2,602,844) | (5,248,063) |
| Less: Offsetting receipts | (676,510) | (21,592) |
| Obligations net of offsetting collections and recoveries | $ 229,901,171 | $ 236,440,627 |
| Other Resources | | |
| Imputed financing from costs absorbed by others | 576,821 | 611,737 |
| **Total resources used to finance activities** | $ 230,477,992 | $ 237,052,364 |
| **Resources Used to Finance Items not Part of the Net Cost of Operations:** | | |
| Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided (+/-) | 18,321,087 | 34,796,623 |
| Resources that fund expenses recognized in prior periods | (84,575) | |
| Budgetary offsetting collections and receipts that do not affect net cost of operations: | | |
| Other | - | - |
| Resources that finance the acquisition of assets | (48,974) | - |
| Adjustments to net obligations resources that do not affect net cost | 676,510 | 21,592 |
| **Resources used to finance items not part of the net cost of Operations** | 18,864,048 | 34,818,215 |
| **Total resources used to finance items not part of the Net Cost of Operations** | $ 249,342,040 | $ 271,870,579 |
| **Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:** | | |
| Components Requiring or Generating Resources in Future Periods | | |
| Increase in Annual leave liability | $ (24,349) | $ (21,319) |
| Increase in Exchange Revenue | | - |
| Other (+/-) | (1,554) | 827 |
| Total components of Net Cost of Operation | $ (25,903) | $ (20,492) |
| Components not Requiring or Generating Resources: | | |
| Depreciation and amortization | $ 121,210 | $ 106,462 |
| Other (+/-) | (179) | - |
| Total components of Net Cost of Operations that will not require or generate resources | $ 121,031 | $ 106,462 |
| Total components of Net Cost of Operations that will not require or generate resources in the current period | $ 95,128 | 85,970 |
| **Net Cost of Operations** | $ 249,437,168 | $ 271,956,549 |

## Note 19 Contributed Capital

The Institute is authorized to solicit, accept, receive, and invest in the name of United States, gifts, bequests, or devices of money and other property of services and to use such property or services in furtherance of the functions of the Institute.

In FY 2012, IMLS received contributions totaling $676,510. In FY 2011, contributions totaled $19,500.

# 4. Other Accompanying Information

## A. Summary of Financial Statement Audit and Management Assurances (unaudited)

### Table 1: Summary of Financial Statement Audit

| Audit Opinion | Unqualified | | | | |
|---|---|---|---|---|---|
| Restatement | No | | | | |
| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Ending Balance |
| None | | | | | |
| *Total Material Weaknesses* | 0 | 0 | 0 | 0 | 0 |

### Table 2: Summary of Management Assurances

| Effectiveness of Internal Control over Financial Reporting (FMFIA § 2) | | | | | | |
|---|---|---|---|---|---|---|
| Statement of Assurance | Unqualified | | | | | |
| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| *None* | | | | | | |
| *Total Material Weaknesses* | 0 | 0 | 0 | 0 | 0 | 0 |

### Table 2: Summary of Management Assurances *(Continued)*

| Effectiveness of Internal Control over Operations (FMFIA § 2) | | | | | | |
|---|---|---|---|---|---|---|
| Statement of Assurance | Unqualified | | | | | |
| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| None | | | | | | |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 | 0 |
| **Conformance with financial management system requirements (FMFIA § 4)** | | | | | | |
| Statement of Assurance | Systems conform to financial management systems requirements | | | | | |
| Non-Conformances | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| None | | | | | | |
| Total non-conformances | 0 | 0 | 0 | 0 | 0 | 0 |
| **Compliance with Federal Financial Management Improvement Act (FFMIA)** | | | | | | |
| | | Agency | | | Auditor | |
| Overall Substantial Compliance | | Not applicable* | | | Not applicable* | |
| 1. System Requirements | | Not applicable* | | | | |
| 2. Accounting Standards | | Not applicable* | | | | |
| 3. USSGL at Transaction Level | | Not applicable* | | | | |

* OMB Bulletin 07-04 states that agencies subject to the ATDA and Government Corporation Control Act are not subject to the requirements of FFMIA.

## B. Improper Payments Information Act (IPIA)

### Risk Assessment and Systematic Sampling Method

There are only four (4) grant programs within IMLS where the entire annual budget authority exceeds $10 million. These are: Grants to States, Laura Bush 21st Century Librarians, Library National Leadership Grants, and Museums for America. Risk factors that were included in the review of these programs were:

| Risk Factor | Response |
|---|---|
| Whether the program or activity reviewed is new to the Agency | No programs reviewed are new to the Agency |
| The complexity of the program or activity reviewed | No program or activity within IMLS is deemed complex, particularly with respect to determining the correct amounts |
| The volume of payments made annually | IMLS does not make a high volume of payments annually |
| Whether payments or eligibility decisions are made outside of the Agency | None |
| Recent major changes in program funding, authorities, practices, or procedures | None |
| Training for personnel | IMLS Staff are adequately trained throughout the year on current grants administration practices and policies within the Federal Government. |
| Significant deficiencies in audit reports | There have been no significant deficiencies in any audit report that might hinder accurate payment certification. |
| Results from prior improper payment work | A review of improper payments is done each fiscal year and there have been no findings on significant improper payments. |

No grant programs listed above are considered susceptible to significant erroneous payments or qualify as "risk susceptible" based on OMB guidance thresholds. The Grants to States program grants are awarded yearly to each of the 50 states and US territories. The recipient of these grants is the State Library Agency of each state or territory, and does not change from year to year. The other three (3) programs follow the IMLS discretionary grant process and each institution is pre-determined for eligibility (as are applicants to all of our other grant programs).

To identify payments that were erroneously paid, a review of all FY 2012 grant refunds was performed. There were overpayments totaling approximately $31,295, or .01 percent of the Agency's total program outlays of $250M as of September 30, 2012. Additionally, as of September 30, 2012 IMLS has collected 100 percent of this money back.

In FY 2011 there were overpayments totaling approximately $817,000, or .3 percent of the Agency's total program outlays of $270M. As of September 30, 2011 IMLS had collected all of this money back.

A review of administrative expenses in FY 2012 and FY 2011 identified no significant improper payments. In addition, there were no underpayments made in the review of FY 2012 and FY 2011 total outlays.

### Corrective Actions

While the Agency has determined that no programs are susceptible to significant erroneous payments, it has strengthened its preventative controls prior to grant payments being disbursed. If a payment was paid in error and deemed improper, procedures are in place for IMLS to collect the monies back in a timely fashion. 100 percent of reimbursement or advance requests are reviewed by IMLS before a disbursement is made. In addition, IMLS is currently working with Department of Treasury's Federal Reserve Bank of St. Louis to begin using the Single Online Search function of the Do Not Pay Solution. IMLS will start to use this function, in coordination with its shared-service provider, in FY 2013.

## Improper Payment Reporting Tables

### Table 1: Improper Payment Reduction Outlook

| Program or Activity | PY Outlays | PY IP % | PY IP $ | CY Outlays | CY IP % | CY IP $ |
|---|---|---|---|---|---|---|
| Grants | $270M | 0.30% | $817K | $237M | .01% | $31K |
| Contracts | $2.0M | 0.0% | $0 | $2.6M | 0.0% | $0 |

| Program or Activity | CY+1 Est. Outlays | CY+1 IP % | CY+1 IP $ | CY+2 Est. Outlays | CY+2 IP % | CY+2 IP $ | CY+3 Est. Outlays | CY+3 IP % | CY+3 IP $ |
|---|---|---|---|---|---|---|---|---|---|
| Grants | $277M | 0.1% | $277K | $280M | 0.1% | $280K | $281M | 0.1% | $281K |
| Contracts | $2.5M | 0.0% | $0 | $2.3M | 0.0% | $0 | $2.1M | 0.0% | $0 |

### Table 2: Overpayments Recaptured Outside of Payment Recapture Audits

| Agency Source | Amount Identified (CY) | Amount Recovered (CY) | Amount Identified (PY) | Amount Recovered (PY) | Cumulative Amount Identified (CY+PYs) | Cumulative Amount Recovered (CY+PYs) |
|---|---|---|---|---|---|---|
| Post -Payment Reviews | $31K | $31K | $817K | $817K | $848K | $848K |