INSTITUTE of Museum and Library SERVICES

Annual Financial Report

FISCAL YEAR 2026

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Message from the Agency Senior Official

The Institute of Museum and Library Services (IMLS) is a grantmaking agency and the primary source of federal support for the nation's libraries and museums. Our mission is to advance, support, and empower America's museums, libraries, and related organizations through grantmaking, research, and policy development.

The Agency has an expansive reach, supporting libraries and museums of all types, including zoos, aquaria, botanical gardens, and historic sites. IMLS directs population-based funding to all 50 states, the District of Columbia, the United States (U.S.) territories, and Freely Associated States through its Grants to States program. IMLS also administers 13 discretionary grant programs through its library and museum program offices. The Office of Research and Evaluation (ORE) supports IMLS's efforts to extend and improve the nation's museum, library, and information services by conducting policy research, data collection, analysis and modeling, evaluation, and information dissemination.

This Annual Financial Report details the Fiscal Year (FY) 2026 programs and funding of IMLS, and the impact it has had on U.S. museums, libraries, and cultural institutions and the communities they serve. The system of operations and the management controls at IMLS provide a high level of confidence in the completeness and accuracy of the performance and financial data presented in this report.

Highlights from 2026:

- In FY 2026, IMLS awarded $**86** million across 13 grant programs, in addition to 59 grants totaling $**181.4** million under the Library Services and Technology Act designed to support local library needs through their state and territories.
- IMLS funded projects from the FY 2026 discretionary grant cycle that support Administration priorities referenced in the FY 2026 Notice of Funding Opportunities (NOFOs) cover letters, as well as projects from first-time applicants, and institutions supporting rural and remote populations. Ten of our FY 2026 discretionary awards support the work museums, libraries, and archives connected with Historically Black Colleges and Universities (HBCUs). Nineteen of our FY 2026 discretionary grant awards honor U.S. veterans and military history. Many of our funded projects promote "uplifting and positive narratives of our shared American experience" while others emphasize non-traditional and alternative pathways to workforce development in the museum and library services fields.
- IMLS recognizes an increased focus on the roles that libraries and museums can play both in using Super Intelligence (SI) to better deliver information to the public but also working to equip Americans with the skills and tools to meet the challenges this emerging technology presents. To that end, 41 of our FY 2026 discretionary grant awards are projects dedicated to building SI literacy and integrating SI tools into museums and libraries across the country.
- Since January 2026, six IMLS-funded Freedom Trucks have traveled across the United States educating Americans about the key people, places, and events that gave birth to our country's independence and making our nation's history more accessible to Americans of all ages. These mobile exhibits bring history to life with inspiring, factual, and engaging content, including digital and interactive material that is designed for both children and adults. In FY 2026, the Freedom Trucks visited a total of 187 locations throughout the lower 48 states, engaging over 247,000 visitors. The trucks are actively being booked through the end of December 2026.
- The IMLS Library Convening 250: Telling America's Story initiative brought together library staff from small and rural communities across the country, territories, and Freely Associated States for professional development training and to explore innovative approaches for engaging audiences in semiquincentennial related programming. With a focus on customizing and delivering content specifically designed for small and rural libraries, IMLS sought to reach those delivering critical programs and services to some of the hardest-to-reach communities. Over 700 library staff, representing small and rural communities, attended one of the six convenings held in Phoenix, Atlanta, Washington, DC, Cincinnati, Reno, and St. Louis. Representatives from State Library Administrative Agencies also attended each convening, strengthening state-level connections for participants.
- In mid-April 2026, IMLS held a Museums and AI convening, with approximately 70 museum and library professionals from across the country to discuss the current state of AI in museums and how we can forge a path forward in alignment with Administration priorities. An internal report and public-facing materials are forthcoming.

- IMLS convened 30 grantees across its library and museum Native American programs in Oklahoma City in June 2026. IMLS facilitators led attendees through shared learning and conversation about how Tribal libraries, archives, museums, and cultural centers are navigating change. Participants were able to learn from peers and real-world examples and participated in a visit to the First Americans Museum in Oklahoma City.
- In September 2026, IMLS published the results of its inaugural National Museum Survey (NMS). As the first comprehensive federal dataset regarding U.S. museums, the NMS provides new insights into a field that generates billions of dollars in economic activity, provides nearly half a million jobs, and hosts over one billion visits per year. This groundbreaking research provides a baseline of the state of American museums that will serve our nation well into the future. The data is available through an interactive NMS Data Portal on the IMLS website.

We continue to appreciate the value of ongoing professional development in meeting the needs of communities, and share best practices, research, trends, and data to build capacity within the museum and library fields. We look forward to supporting more good work over the year to come.



Lisa Solomson
Senior Official Performing the Duties of the IMLS Director
Deputy Director for Library Services

SECTION 1:
Management's Discussion and Analysis (MD&A)

A. IMLS OVERVIEW AND MISSION

The Institute of Museum and Library Services (IMLS) is an independent grantmaking agency and the primary source of federal support for the nation's libraries and museums.

The mission of IMLS is to advance, support, and empower America's museums, libraries, and related organizations through grantmaking, research, and policy development. Our vision is a nation where museums and libraries work together to transform the lives of individuals and communities.

IMLS was created with the passage of the Museum and Library Services Act of 1996, which was reauthorized on December 31, 2018. The Agency has statutory authority to award financial assistance, collect data, form strategic partnerships, and advise policymakers and other federal agencies on museum, library, and information services.

The Agency consolidates federal library programs dating back to 1956 and museum programs dating back to 1976.

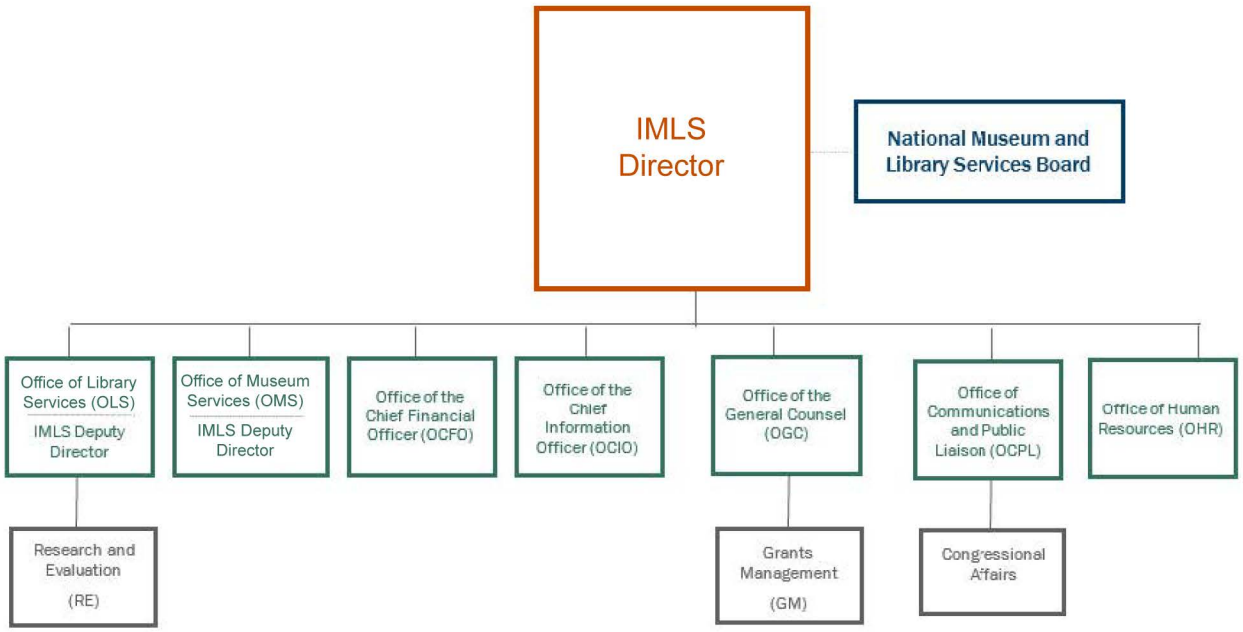
IMLS helps to ensure that all Americans have access to museum, library, and information services. The Agency invests in new and exploratory approaches, as well as proven and tested methods. IMLS funds work that advances collective knowledge, lifelong learning, and cultural and civic engagement. And the Agency builds capacity within the museum and library fields to enable better service to communities and to enhance community decision making by sharing trends and data.

IMLS has an expansive reach. The Agency is the largest source of federal funding for libraries in the nation, directing population-based funding to all 50 states, the District of Columbia, the U.S. territories, and Freely Associated States through its Grants to States program. The Agency's discretionary grants are selected through a highly respected and competitive peer review process, drawing on professionals located across the nation.

This work enables museums and libraries located in geographically and economically diverse areas to deliver essential services that make it possible for individuals and communities to flourish.

This year, IMLS is producing this Annual Financial Report (AFR) and an Annual Performance Report (APR) and will post its FY 2026 APR on the IMLS website, www.imls.gov, in February 2027.

IMLS Organizational Chart



UPDATED: October 2026

B. STRATEGIC GOALS

When IMLS was established by the Museum and Library Services Act of 1996, bringing together federal programs dating back to 1956, lawmakers recognized that U.S. libraries and museums are powerful national assets. They saw "great potential in an Institute that is focused on the combined roles that libraries and museums play in our community life." The law charges IMLS with advising policymakers on library, museum, and information services and supporting a wide range of programs that improve the lives of individuals throughout the nation.

We carry out this charge as we adapt to meet the changing needs of our nation's museums and libraries and their communities. IMLS's role—to advance, support, and empower America's museums and libraries through our grantmaking, research, data collection, and policy development—is essential to helping these institutions navigate change and continue to improve their services.

The Agency developed a strategic plan for 2022–2026 that was published in February 2022. For this 2026 AFR, the Agency is reporting on these 2022–2026 strategic goals and objectives:

Strategic Goals and Objectives

1. Champion Lifelong Learning.

1.1 Advance shared knowledge and learning opportunities for all.

1.2 Support the training and professional development of the museum and library workforce.

2. Strengthen Community Engagement.

2.1. Promote broad public engagement.

2.2. Support community collaboration and foster civic discourse.

3. Advance Collections Stewardship and Access.

3.1. Support collections care and management.

3.2. Promote access to museum and library collections.

4. Demonstrate Excellence in Public Service.

4.1. Maximize public investments by cultivating a culture of planning, evaluation, and evidence-based practice.

4.2. Increase the impact of IMLS through strategic engagement with public and private sector stakeholders.

4.3. Increase the efficiency and effectiveness of Agency operations.

C. SCOPE

Library Services

The Museum and Library Services Act (20 U.S.C. § 9171) authorizes the Office of Library Services to support a wide range of activities.

Grants to States

Process

The 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, the U.S. territories of the Commonwealth of Puerto Rico, the U.S. Virgin Islands, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the Freely Associated States—the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau (20 U.S.C. § 9131).

The formula consists of a minimum allotment set by law ($1,000,000 for states and $100,000 for Pacific Territories and Freely Associated States) plus a supplemental amount based on population (dependent on annual appropriations). Population data is based on the information available from the U.S. Census Bureau.

The program's overall budget increased by $1,400,000 in FY 2026 at a total of $181,400,000. The Act limits administrative costs at the state level to 4 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 must complete five-year plans, conduct a five-year evaluation based on these plans, and report annually to IMLS on their progress in strengthening library services, which helps improve practice and inform policy. 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.

Site visits provide Grants to States staff the opportunity to monitor program administration at both the SLAA and subrecipient levels and to assist SLAAs in the sound management of the program. Staff aim to complete visits with all 59 SLAAs by the end of the 2023–2027 five-year cycle. In FY 2026, they met this goal by wrapping up five in-person site visits (LA, OK, VA, WV, WY), six Pacific Workshop desk visits (AS, FM, GU, MH, MP, PW), two hybrid site visits (DC, MD), and six virtual visits (AL, MN, NE, NH, TN, TX). No site visits will be made in 2027 while SLAAs are completing their five-year evaluations and five-year plans.

Use of Funds

States are subject to a statutory "maintenance of effort" requirement that helps ensure that federal funds do not supplant state investments. SLAAs may use their funding for:

- Expanding services for learning and access to information and educational resources in a variety of formats—including new and emerging technology, in all types of libraries, for individuals of all ages—in order to support such individuals' needs for education, lifelong learning, workforce development, economic and business development, health information, critical thinking skills, digital literacy skills, financial literacy, and other types of literacy skills;
- Establishing or enhancing electronic and other linkages and improved coordination among and between libraries and entities, for the purpose of improving the quality of and access to library and information services;

- 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;
- Developing public and private partnerships with other agencies, Tribes, and community-based organizations;
- Targeting library services to individuals with disabilities, and to individuals with limited functional literacy or information skills;
- Targeting library and information services to persons having difficulty using a library and to underserved urban and rural communities, including children from families with incomes below the poverty line;
- Developing library services that provide all users access to information through local, state, regional, national, and international collaborations and networks; and
- Carrying out other activities as described in the SLAA's plan.

Discretionary Grants

The Office of Library Services offered five funding opportunities in FY 2026:

- **National Leadership Grants for Libraries** support projects that develop, enhance, adapt, or disseminate replicable practices, programs, models, or tools to strengthen library and archival services for the American public.
- **Native American Library Services: Basics Grants** are awarded non-competitively to Federally recognized American Indian Tribes and Alaska Native Villages, corporations, and regional corporations. This program is designed to assist Native Communities in improving core library services.
- **Native American Library Services: Enhancement Grants** are competitive awards that assist Native Communities in sustaining and improving library services with their communities.
- **Native Hawaiian Library Services Grants** are available to nonprofit organizations that primarily serve and represent Native Hawaiians so that they can enhance existing or implement new library services.
- **Laura Bush 21st Century Librarian Grants** support the training and professional development of library and archives professionals; develop faculty and information leaders; and recruit, educate, and retain the next generation of library and archives professionals in order to meet the information needs of their communities.

The Agency also awards the **National Medal for Museum and Library Service**, with funds from the National Leadership Grants program. The Medal is the nation's highest honor for institutions that make significant and exceptional contributions to their communities. The National Medal was not awarded in FY 2026.

Funding Snapshot

GRANTS TO STATES		
NUMBER OF AWARDS	FUNDS AWARDED	AWARDEE COST SHARE
59	$181,400,000	$93,172,080.82 *

** Only includes match from the states, DC, PR, and Freely Associated States; no match is required from the territories.*

TOTAL GRANTS FOR ALL LIBRARY DISCRETIONARY PROGRAMS				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE COST SHARE‡
496	291 *	$79,204,192	$30,650,000	$788,754

** A portion of available funds are used to support projects that may not be reflected in the total number of awards.*
‡ Cost share requirements vary by program.

By Program

LAURA BUSH 21ST CENTURY LIBRARIAN PROGRAM				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE COST SHARE‡
105	40	$27,493,862	$9.600.000	$564,503

‡ Cost share requirements vary by project type.

NATIONAL LEADERSHIP GRANTS FOR LIBRARIES				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE COST SHARE‡
152	62	$39,161,945	$15,287,000	$210,271

‡ Cost share requirements vary by project type.

NATIVE AMERICAN AND NATIVE HAWAIIAN LIBRARY SERVICE PROGRAMS					
PROGRAM	NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE COST SHARE*
Basic Grants (non-competitive)	159	158	$1,732,795	$ 1,722,795	N/A
Enhancement Grants	70	26	$9,422,326	$ 3,311,380	$0
Native Hawaiian	10	5	$1,393,264	$728,825	$13,980
Total	239	189	$12,548,385	$5,763,000	$13,980

** Matching funds are not required for these programs.*

Museum Services

The Museum and Library Services Act (20 U.S.C. § 9171) authorizes the Office of Museum Services to support a wide range of activities.

IMLS also conducts two additional grant programs with the purpose of improving operations, care of collections, and development of professional management at African American museums, pursuant to the National Museum of African American History and Culture Act (20 U.S.C. § 80r-5) and American Latino museums, pursuant to the National Museum of the American Latino Act (P.L.116-260 Title II, Sec.201), respectively.

Discretionary Grants

The Office of Museum Services offered eight competitive funding opportunities in FY 2026:

- **Museums for America (MFA)** supports museums of all sizes and disciplines in project-based efforts to serve the public through educational programs and exhibits, community partnerships, and collections stewardship activities.
- **Inspire Grants for Small Museums** is a special initiative of the Museums for America grant program designed to support small museums of all disciplines in project-based efforts to serve the public through educational programs and exhibits, community partnerships, and collections stewardship activities. Funded projects focus on building the capacity of small museums to provide museum services to their communities through supporting the development of experiential learning and discovery in small museums and the management and care of collections in small museums.
- **Museums Empowered: Professional Development Opportunities for Museum Staff** is a special initiative of the Museums for America program supporting projects that use professional development and training to generate change and growth within museums of all types and sizes.

- **National Leadership Grants for Museums (NLG-M)** invest in projects that address critical needs of the museum field. Projects have the potential to advance practice in the profession and to strengthen museum services for the American public through the development and replication of model practices, tools, research findings, and collaborations. In addition to museums, related organizations such as museum associations, colleges and universities, and some foundations and nonprofit organizations may be eligible to apply for grants in this funding program.
- **Native American/Native Hawaiian Museum Services Program (NANH)** supports Native American Tribes, Alaska Native Villages, and organizations that primarily serve and represent Native Hawaiians in sustaining heritage, culture, and knowledge. The program supports projects such as educational services and programs, workforce professional development, organizational capacity building, community engagement, and collections stewardship.
- **21st Century Museum Professionals (21MP)** grant program supports projects that build career pathways, strengthen professional networks, and identify and share effective workforce education and training practices in the museum field.
- **Museum Grants for African American History and Culture (AAHC)** build the capacity of African American museums and support the growth and development of museum professionals at African American museums. The program also increases access to museum and archival collections at African American museums and Historically Black Colleges and Universities (HBCUs).
- **Museum Grants for American Latino History and Culture (ALHC)** program supports projects that build the capacity of American Latino history and culture museums to serve their communities and advance the growth and development of a professional workforce in American Latino cultural institutions.

The Agency also awards the **National Medal for Museum and Library Service**, with funds from the National Leadership Grants program. The Medal is the nation's highest honor for institutions that make significant and exceptional contributions to their communities. The National Medal was not awarded in FY 2026.

Funding Snapshot

TOTAL GRANTS FOR ALL MUSEUM DISCRETIONARY PROGRAMS				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH*
946	288	$170,056,945	$54,850,000	$47,505,141

** Match requirements vary by program.*

By Program

MUSEUMS FOR AMERICA				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE COST SHARE
343	92	$75,744,191	$21,099,739	$25,141,449

INSPIRE GRANTS FOR SMALL MUSEUMS *				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE COST SHARE
299	88	$11,069,810	$3,300,000	$2,992,212

** A special funding opportunity within Museums for America. Cost share requirements vary by project type.*

MUSEUMS EMPOWERED *				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE COST SHARE
40	18	$7,475,672	$3,830,261	$4,816,020

** A special funding opportunity within Museums for America.*

NATIONAL LEADERSHIP GRANTS FOR MUSEUMS				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE COST SHARE*
47	17	$22,993,130	$8,381,340	$4,870,876

** Cost share requirements vary by project type.*

NATIVE AMERICAN/NATIVE HAWAIIAN MUSEUM SERVICES PROGRAM				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE COST SHARE*
72	18	$15,499,876	$3,772,000	$402,200

** Matching funds are not required for this program.*

MUSEUM GRANTS FOR AFRICAN AMERICAN HISTORY AND CULTURE				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE COST SHARE*
83	34	$16,049,713	$6,000,000	$4,380,354

** Cost share requirements vary by project type.*

MUSEUM GRANTS FOR AMERICAN LATINO HISTORY AND CULTURE				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE COST SHARE*
23	13	$9,614,360	$5,450,399	$1,125,558

** Matching funds are not required for this program.*

21ST CENTURY MUSEUM PROFESSIONALS PROGRAM				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE COST SHARE
39	8	$11,610,193	$3,016,261*	$3,776,472

**FY 2026 awards include those made with FY 2026 Annual Appropriations and a portion of ALHC, MFA, and NLG-M funds.*

Information Literacy

In FY 2022, IMLS was directed by statute to establish an **Information Literacy Taskforce** charged with developing guidance, instructional materials, and national strategies on information literacy. In FY 2023, IMLS and the Taskforce gained insights from multiple stakeholders including departments and agencies throughout the Federal Government, libraries and museums at the state and local level, federal, state, and local governments, nonprofit organizations, and private enterprises to develop an online portal to disseminate best practices on information literacy and toolkits specially designed to help people of all ages understand, evaluate, and discern the reliability and accuracy of information. In FY 2024, InformationLiteracy.gov went live, offering strategies and tools tailored to both native and non-native English speakers and communities, with information on federal initiatives, programs, grants, publications, and materials promoting enhanced information literacy. A focus of the site for museum and library practitioners are two toolkits: one for teaching information literacy skills in a variety of areas, one for spreading the word about the website and highlighting the importance of information literacy skills in their communities. In FY 2025, the Agency added a focus area on SI or artificial intelligence (AI) literacy, supporting the use of SI tools productively and responsibly, as well as revised and updated toolkits and the site's "journey" to information literacy guide.

In FY 2026, the Agency:

- added more than 45 new resources to InformationLiteracy.gov, including SI literacy resources, bringing the total number of resources to over 200;

- implemented new database filters for the resources on the site, allowing users to filter by audience (e.g., by age and experience level) and resource type;
- completed SI literacy research, including eight listening sessions with museum and library professionals to better understand audience needs around SI literacy, and finalized a report with findings and recommendations for new web content;
- finalized content for new SI literacy materials, including a discussion guide, FAQ, guide to planning learning experiences, and an introduction to SI literacy;
- re-established the Congressionally mandated Information Literacy Taskforce, engaging past members and recruiting new members, and holding two meetings (in June and September 2026);
- conducted in-depth interviews with five taskforce members (both long-time and new) and summarized findings;
- launched the first two editions of a quarterly Information Literacy Initiative newsletter; and
- conducted outreach to eight relevant organizations to discuss potential opportunities for collaboration.

Cooperative Agreements

Sustaining and Advancing Indigenous Cultures: A Continuing Education Project for Tribal Archives, Libraries, and Museums is a cooperative agreement with the Association of Tribal Libraries, Archives, and Museums (ATALM). This project provides culturally relevant training and professional development opportunities to professional current and emerging staff of Indigenous archives, libraries, and museums, as well as staff of organizations serving Indigenous audiences or holding Indigenous collections. In FY 2026, IMLS continued to provide support to strengthen and expand upon these activities, as well as to advance SI readiness by funding the development of SI-focused training and resources at the September 2026 ATALM conference to equip Native cultural institutions with tools for language preservation, collections care, and workforce development.

Museums for All is a national, branded access program that encourages individuals of all backgrounds to visit museums regularly and build lifelong museum habits. The program is administered by the Association of Children's Museums through a cooperative agreement with IMLS. It is open to participation by any type of museum, including art, history, natural history/anthropology, and general museums, children's museums, science centers, planetariums, nature centers, historic houses/sites, zoos, aquariums, botanical gardens, and arboretums. More than 1,700 participating museums in all 50 states as well as Washington, DC, and the U.S. Virgin Islands are providing free or reduced admission to families with Supplemental Nutrition Assistance Program (SNAP) cards, with approximately 17 million visitors since the program began.

Interagency Collaboration

The Museum and Library Services Act authorizes IMLS to enter into interagency agreements to promote or assist with the museum, library, and information services-related activities of other federal agencies (20 U.S.C. § 9103).

In addition to project support, the Director of IMLS holds several statutory positions, including on the Federal Council on the Arts and the Humanities, the American Folklife Center, and in connection with the nation's Semiquincentennial Commission.

Native American and International Museum Exchange (NAIME) and the Semiquincentennial

IMLS continued its partnership with the Department of the Interior and the Department of State to support the Native American and International Museum Exchange (NAIME) initiative supporting the repatriation of Native American heritage held in foreign institutions, with additional emphasis on the opportunities presented by the United States Semiquincentennial through federal cooperation and coordination on matters related to museum, library, and cultural heritage programs internationally and in the U.S. territories and Freely Associated States.

American Broadband Initiative

IMLS is a critical partner in the Administration's **American Broadband Initiative**, designed to identify and remove barriers to broadband access and digital resources.

America250

America250 is a multi-year effort to commemorate the 250th anniversary of the founding of the United States. The Semiquincentennial Commission Act of 2016, as amended, established a Commission of public and private partners to plan, encourage, develop, and coordinate commemorative activities, culminating on July 4, 2026, and building community infrastructure for the future. As outlined in the report, IMLS funded the Freedom Trucks and hosted six convenings to engage rural and underserved libraries throughout the country. The IMLS Director serves as an ex-officio member of the Semiquincentennial Commission.

Preservation of National Collections: Save America's Treasures

IMLS partners with the **National Park Service**, the **National Endowment for the Humanities**, and the **National Endowment for the Arts** to support **Save America's Treasures**, a grant program designed to preserve and protect nationally significant historic properties and collections throughout the country. Congress appropriates funding for the Save America's Treasures grants from the Historic Preservation Fund, which uses revenue from federal oil leases to provide a range of preservation assistance without expending tax dollars. In FY 2026, IMLS participated in the internal review of the collections-based applications, which contributed to the National Park Service's ability to make the awards.

Disaster and Recovery

Cultural Heritage Coordinating Committee

IMLS is partnering with 16 other agencies, including the **Departments of State**, **Defense**, **Homeland Security**, **Interior**, **Justice**, and **Treasury**, to strengthen the ability of the U.S. Federal Government to protect and preserve cultural property at risk from instability, natural disasters, and other emergencies and threats. Representatives from IMLS participate in meetings and working groups associated with this effort. More information is available on the CHCC website.

IMLS and the Department of State are engaged in a formal Interagency Agreement focused on supporting this larger partnership that includes continued support for the work of the Cultural Property Experts on Call program of the Penn Museum to expand the recruitment of museum professionals to support law enforcement needs with respect to art and artifact trafficking.

National Book Festival

Through support to the **Library of Congress**, IMLS contributed funding to the 26th National Book Festival, held August 22, 2026. Through a cooperative agreement with the Chief Officers of State Library Agencies, IMLS sponsored and participated in the National Book Festival's Roadmap to Reading. Representatives from state libraries and Centers for the Book across the country interacted with festival attendees of all ages, providing information on each state's literary heritage, its local libraries, local authors and readings, and careers and opportunities in library and information science. The Roadmap to Reading is one of the most highly attended activities at the National Book Festival, with an audience of families, teachers, and students who identify with states across the U.S.

Policy Research, Analysis, Data Collection, and Dissemination

Under the Museum and Library Services Act, IMLS is authorized to support and conduct policy research, data collection, analysis and modeling, evaluation, and dissemination of information to extend and improve the nation's museum, library, and information services (20 U.S.C. § 9108). In carrying out these objectives, IMLS engages with the SLAAs, networks of museums and libraries, as well as national, state, Tribal, and regional museum and library organizations.

The Agency produces evaluations and performs data collection and analysis to inform policy decisions and support the museum and library fields of practice reflecting its learning agenda. These efforts identify trends, important comparisons, and enable objective policymaking at the national and state levels. The primary data collections maintained by IMLS are the Public Libraries Survey, SLAA Survey, and the National Museum Survey, and their related data tools.

- The **Public Libraries Survey (PLS)** is an annual collection of data from over 9,200 public library systems in the United States and outlying territories. For over 30 years, more than 95 percent of our nation's public libraries have provided reliable data on key library metrics of library health and services. Used by policymakers, practitioners, and researchers, PLS data and research provides long-term trends in library services and explores significant issues such as digital access and community engagement.
- IMLS continues to focus on ensuring quality, reliability, and usability of the PLS. Throughout FY 2026, IMLS collaborated with key stakeholders and methodologists to test new metrics on meeting rooms and outreach service vehicles. The Agency also maintained its commitment to continuous improvements of online PLS data tools on IMLS.gov to enable the public to customize their own queries. In FY 2026, IMLS released research highlighting trends in library services and the most recent FY 2024 PLS data, in addition to new PLS data tool features.

- The **State Library Administrative Agency Survey** is conducted every two years in order to examine trends across these state government entities. In FY 2026, the Agency released FY 2024 SLAA Survey data, updated the SLAA Survey Tool on imls.gov, and will release findings in November 2026 on financial health, workforce, and services provided by SLAAs to public, academic, school, and special libraries and library cooperatives.
- **National Museum Survey (NMS).** In 2021, IMLS began active planning to develop a national survey of the nation's museums to serve as part of the federal statistical system. With the active engagement of the museum sector and in partnership with third-party statistical and survey methodologists, IMLS conducted its first annual survey in early winter 2025 and released findings and data to the public in August 2026. The Agency opened the second annual survey in September 2026 with the goal of releasing findings in spring 2027.
- **Child Reading Literacy.** The landscape of literacy has undergone seismic shifts with the increase in digital content, and an increasing body of scholarship is documenting the correlation to children's literacy. In response, IMLS has continued to shape a national discourse on this issue, focusing on the roles of public libraries. This effort began with a national two-day convenings of library leaders, literacy experts, and leading researchers and resulted in IMLS publicly releasing a study that synthesized existing literature on the relation between motivation and best practices in child literacy and reading development in FY 2024. IMLS partnered with Mathematica to conduct more research on this topic in FY 2025 and published a secondary research report in February 2026. A primary research report will follow in FY 2027.
- **Future of Museums Research.** In March 2023, IMLS convened nearly 100 museum leaders from across the country to discuss the future of the museum sector and identify emerging challenges and opportunities facing museums. Building on insights from that meeting, IMLS partnered with Mathematica in September 2023 to conduct a study focused on operational shifts in museums and museum preparedness for severe weather and other emergencies. Mathematica conducted a mixed-methods study that began with secondary data collection and analysis in FY 2024 and proceeded to conduct interviews with museum leaders and focus groups with museum community engagement staff in FY 2025 and FY 2026. IMLS will publish these findings in early FY 2027.

D. BRIEF ANALYSIS OF FINANCIAL STATEMENTS

Introduction and Figures

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 financial management guidance. 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 2026 financial statements and accompanying notes are presented in accordance with Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*.

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 2026.

Figure 1: IMLS FY 2026 Financial Position ($ in millions)

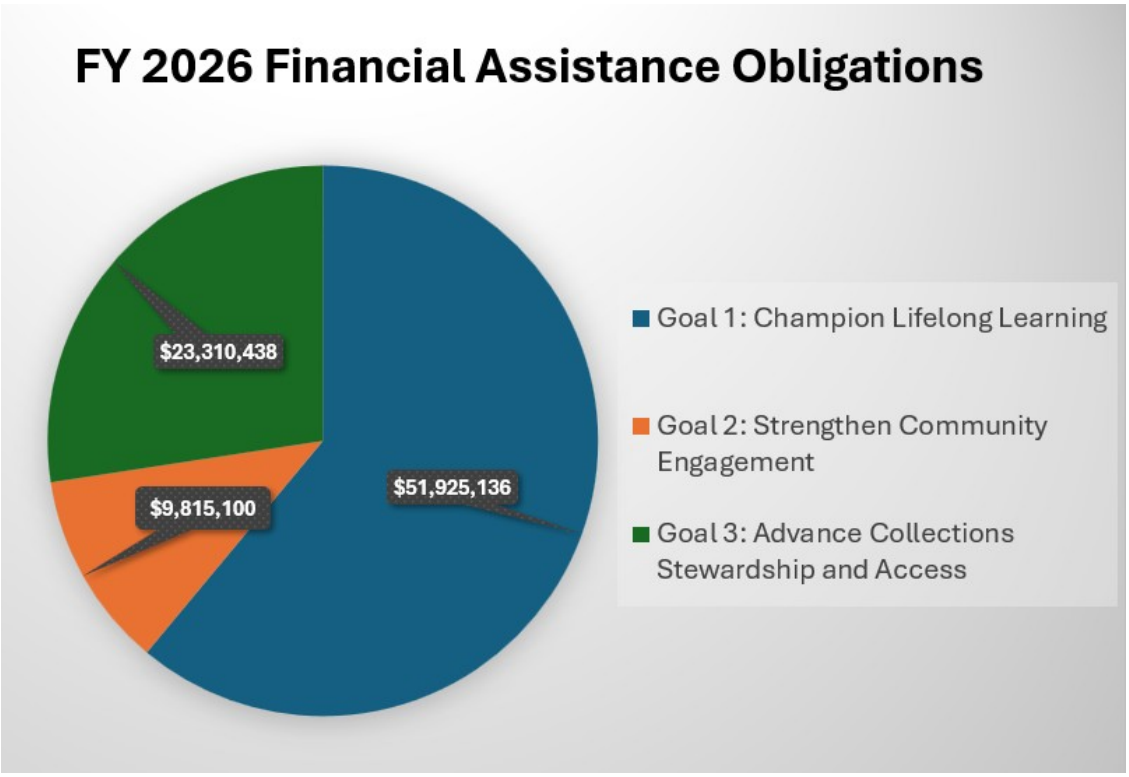
NET FINANCIAL POSITION	FY 2026 ($)	FY 2025 ($)	INCREASE/DECREASE ($)	CHANGE (%)
ASSETS	426.3	382.8	43.5	11.4
LIABILITIES	50.5	40.8	9.7	23.8
NET POSITION	375.8	342	33.8	9.9
NET COST	250.9	305.4	(54.5)	(17.8)

At $291.8M, the FY 2026 enacted appropriation funding level was $3M less than the prior year. The increase in the Agency's assets is primarily due to a $38M increase in the cash balance from drawdown activity returning to historical rates compared to the surge in activity caused by cancellation activity in FY 2025. The increase in the liabilities is driven by an increase in the grant accrual balance. The increase in net position is primarily due to an increase in unexpended appropriations disbursed offset by decreases in the cumulative unexpended appropriations balance of $12.2M,

appropriations received of $3M, cancelling fund and rescission balances of $5M, and unexpended appropriation accruals of $25.5M. The net cost decrease is the result of a decrease in library program expenditures of $26.5M, a FY 2026 decrease in museum program expenditures of $22.4M, and a FY 2026 decrease in administrative expenditures of $5.6M.

Figure 2 below summarizes the FY 2026 grant award obligations by Strategic Goal.

Figure 2: FY 2026 Financial Assistance Obligations



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). The statements have been prepared from the books and records of the entity in accordance with GAAP for federal entities and the formats prescribed by the OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Federal Government.

E. MANAGEMENT ASSURANCES AND COMPLIANCE WITH LAWS

Overall Internal Control

In FY 2026, IMLS demonstrated its continued commitment to maintaining strong internal controls. Internal control is an integral component of effective agency management, providing reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of reporting, and compliance with laws and regulations. The Federal Managers' Financial Integrity Act of 1982 (FMFIA) establishes management's responsibility to assess and report on internal accounting and administrative controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The FMFIA requires federal agencies to establish controls that reasonably ensure obligations and costs are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to permit the preparation of reliable reports and to maintain accountability over the assets. The FMFIA also requires agencies to annually assess whether financial management systems conform to related requirements (FMFIA Section 4. Guidance for implementing the FMFIA is provided through OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, and the revised Appendix A, Management of Reporting and Data Integrity Risk).

Annual Assurance Statement

IMLS management is responsible for establishing and maintaining an effective system of internal control that meets the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). In accordance with Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, IMLS conducted its annual assessment of its system of internal control. Based on the results of this assessment, IMLS can provide reasonable assurance that its system of internal control over operations, reporting, and compliance was operating effectively as of September 30, 2026.

IMLS management is also responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting. Based on the results of its annual assessment of internal controls, IMLS can provide reasonable assurance that internal controls and procedures over financial reporting were operating effectively during the year ended September 30, 2026.



Lisa Solomson, Senior Official Performing the Duties of the Director, November 15, 2026



Chris Catignani, CFO, November 15, 2026

Management's Assessment of Internal Control

The Director's and CFO's FY 2026 annual assurance statement for FMFIA provides reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2026. The associated objectives are: effective and efficient operations; compliance with applicable laws and regulations; and reliability of reporting.

The basis for management's assessment of, and assurance about, IMLS's system of internal control is composed of many facets. A central facet is the annual management controls surveys completed by each office head. These surveys were based on each person's knowledge of daily operations, self- assessments, and internal reviews over core operating functions of the Agency. Taking into account the completed surveys from office heads, and the regular reviews of operations performed by the Agency's Risk Management Council which is composed of the heads of the administrative offices and the Office of General Counsel, the CFO advises the Director as to whether IMLS had any internal control deficiencies.

Other Reviews

Federal Information Security Modernization Act (FISMA)

FISMA requires federal agencies to "develop, document, and implement an agency-wide information security program to provide information security for the information and information systems that support the operations and assets of the Agency, including those provided or managed by another agency, contractor, or other source." In addition, FISMA requires federal agencies to conduct annual assessments of their information security and privacy programs, to develop and implement remediation efforts for identified weaknesses and vulnerabilities, and to report compliance to OMB. An independent external auditor and IMLS's Chief Information Officer perform a joint review of the Agency's compliance with FISMA requirements each year. IMLS has submitted its FY 2026 report to OMB.

Summary of Current Financial System and Future Strategies

In FY 2026, IMLS continued to work with its Federal Shared Service Provider, the Department of Transportation's Enterprise Service Center (ESC), to enhance its existing systems. IMLS fully implemented the G-Invoicing system and has captured over 95 percent of all interagency agreement processing through G-Invoicing in FY 2026. IMLS continues to stay on the leading edge of implementing technology and staying compliant with OMB and U.S. Treasury federal-wide guidance for executive agencies. IMLS fully expects to implement GO.gov in the second quarter of FY 2027. The implementation of these systems strengthens internal controls over the reporting of activities with our federal partners and provides more real-time reporting.

SECTION 2:
Financial Section

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

On behalf of the Institute of Museum and Library Services (IMLS), it is my pleasure to join, with Senior Officer Solomson, in presenting the Agency's Fiscal Year (FY) 2026 Annual Financial Report. This report is a summary presentation of our financial, operational, and programmatic achievements during the past year.

The independent audit of our financial statements has been completed, and I am pleased to report that the Agency received a 21st consecutive unmodified opinion, with no material weaknesses. This is evidence of the organization's continued emphasis on reviewing and strengthening internal controls in accordance with requirements from central regulatory bodies of the U.S. Federal Government, such as the U.S. Treasury and Office of Management and Budget (OMB).

In FY 2026, the Agency continues to make updates to acquisition procedures that increase efficiency in operations and leverages the investment in the automated procurement system. The Federal Aviation Administration–Enterprise Services Center (FAA-ESC), our shared service provider, has been instrumental in assisting us in developing the end-to-end solutions for our processes. The ability to partner with one of the Centers of Excellence designated by OMB affords us the opportunity to receive the numerous benefits a shared service provider can offer, at affordable costs. IMLS, in coordination with the ESC, continues to update our DATA Act reporting architecture to implement new reporting requirements. The Agency continues to consistently meet 100 percent of the requirements of DATA Act reporting.

The Agency continues to make investments in projects that will leverage Super Intelligence and continues to focus on developing automated, system-driven solutions such as GO.gov, to gain efficiencies and increase transparency in both financial and performance reporting. These changes will improve operational efficiencies, embed additional controls in our automated processes, and optimize the use of improved technology. The Agency continues to build on the core competencies of our federal partners, including engaging with the National Endowment for the Humanities in the eGMS grants management system.

In March of FY 2026, the Agency's Occupancy Agreement with GSA for the IMLS office space expired and in compliance with OMB M-25-25, IMLS relocated to federally owned space in the Francis Perkins Building in Washington, DC. The move will significantly reduce the agency's physical footprint and continue to align our activities with the Administration's goal to reduce the size of the Federal Government.

We are confident that our financial systems and operations will provide the necessary support to deliver the Agency's mission effectively and efficiently and meet the goals established in our strategic plan. I want to extend my sincere thanks and appreciation to all the dedicated staff at IMLS whose commitment and effort made this past year a success: your work is recognized and appreciated.



Christopher A. Catignani
Chief Financial Officer
November 15, 2026

REPORT OF THE INDEPENDENT AUDITORS

Auditors' FY 2026 Report

Castro & Company
Auditors ✓ Advisors

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Alexandria, VA 22314
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Independent Auditor's Report

To the Members of the Board of the Institute of Museum and Library Services

In our audits of the fiscal years 2026 and 2025 financial statements of the Institute of Museum and Library Services (IMLS), we found:

- IMLS' financial statements as of and for the fiscal years ended September 30, 2026, and 2025, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2026 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes a section on required supplementary information (RSI)[1] and a section on other information included with in the financial statements;[2] (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Institute of Museum and Library Services (IMLS), which comprise the balance sheets as of September 30, 2026 and 2025; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, IMLS' financial statements present fairly, in all material respects, IMLS' financial position as of September 30, 2026, and 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IMLS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

[1] The RSI consists of the Management's Discussion and Analysis.
[2] Other information consists of information included with the financial statements, other than RSI.

Responsibilities of Management for the Financial Statements

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles;
- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;
- preparing and presenting of other information included in IMLS' Agency Financial Report (AFR), and ensuring the consistency of that information with the audited financial statements and RSI; and
- designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IMLS' ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin 24-02 will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of financial statements in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of IMLS' internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Perform other procedures we consider necessary in the circumstances.
- Conclude whether, in our judgement, there are conditions, or events, considered in the aggregate, that raise substantial doubt about IMLS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not part of the financial statements, is required under standards issued by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with GAAS. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

IMLS' other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in the IMLS' AFR. The other information comprises the following sections: Summary of FY 2026 Financial Statement Audit and Management Assurances, Payment Integrity Information Act of 2019, and Fraud Reduction Act. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In connection with our audits of IMLS' financial statements, we considered IMLS' internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control Over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of IMLS' internal control over financial reporting. Given these limitations, during our fiscal year 2026 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weakness or significant deficiencies may exist that have not been identified.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to IMLS' internal control over financial reporting in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02.

Responsibilities of Management for Internal Control over Financial Reporting

IMLS management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Consideration of Internal Control over Financial Reporting

In planning and performing our audit of IMLS' financial statements as of and for the fiscal year ended September 30, 2026, in accordance with *Government Auditing Standards*, we considered IMLS' internal control relevant to the financial statement audit in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IMLS' internal control over financial reporting. Accordingly, we do not express an opinion on IMLS' internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and

- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, and contracts, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting
The purpose of this report is solely to describe the scope of our consideration of IMLS' internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of IMLS' internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance and Other Matters

In connection with our audits of IMLS' financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements
Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2026 that would be reportable under *Government Auditing Standards* and OMB Bulletin No. 24-02. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to IMLS. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements
We performed our tests of compliance in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements
IMLS management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the IMLS.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements
Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to IMLS that have a direct effect on the determination of material amounts and disclosures in IMLS' financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant

agreements applicable to IMLS. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Castro & Company, LLC

Alexandria, VA
November 13, 2026

IMLS FINANCIAL STATEMENTS AND NOTES

Institute of Museum and Library Services
Balance Sheets
As of September 30, 2026 (CY) and 2025 (PY)
(In Dollars)

Assets	**2026/CY**	**2025/PY**
Intragovernmental Assets		
Fund Balance with Treasury (Note 2)	$ 406,869,136	$ 368,984,569
Advances and Prepayments (Note 4)	13,628,419	5,721,089
Total Intragovernmental Assets	$ 420,497,555	$ 374,705,658
Other than Intragovernmental Assets		
Property, Plant, and Equipment, Net (Note 3)	$ 1,352,155	$ 37,039
Advances and Prepayments (Note 4)	4,481,488	8,100,347
Total Other than Intragovernmental Assets	$ 5,833,643	$ 8,137,386
Total Assets	$ 426,331,198	$ 382,843,044
Liabilities		
Intragovernmental Liabilities		
Accounts Payable	$ 1,316,245	$ 658,079
Advances from Others and Deferred Revenue	6,043,335	9,333,413
Other Liabilities (Note 6)	91,626	249,627
Total Intragovernmental Liabilities	$ 7,451,206	$ 10,241,119
Other than Intragovernmental Liabilities		
Accounts Payable	$ 574,438	$ 169,294
Federal Employee Salary, Leave and Benefits Payable (Note 7)	957,391	1,474,019
Other Liabilities (Note 6)		
Accrued Grant Liabilities	41,504,904	28,940,571
Total Other than Intragovernmental Liabilities	$ 43,036,733	$ 30,583,884
Total Liabilities	$ 50,487,939	$ 40,825,003
Commitments and Contingencies		
Net Position		
Unexpended Appropriations		
Funds from Dedicated Collections	$ -	$ -
Funds from Other than Dedicated Collections	375,173,161	342,655,322
Total Unexpended Appropriations (Consolidated)	$ 375,173,161	342,655,322
Cumulative Results of Operations		
Funds from Dedicated Collections (Note 9)	99,455	97,827
Funds from Other than Dedicated Collections	570,643	(735,108)
Total Cumulative Results of Operations (Consolidated)	670,098	(637,281)
Total Net Position	$ 375,843,259	342,018,041
Total Liabilities and Net Position	$ 426,331,198	$ 382,843,044

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

Institute of Museum and Library Services
Statements of Net Cost
For the Fiscal Years Ended September 30, 2026 (CY) and 2025 (PY)
(In Dollars)

	2026/CY	2025/PY
Gross Program Cost (Note 10)		
Goal 1: Champion Lifelong Learning		
Gross Cost	$ 88,632,191	$ 101,971,627
Less Earned Revenue	-	-
Net Program Cost	88,632,191	101,971,627
Goal 2: Strengthen Community Engagement		
Gross Cost	67,758,823	86,165,986
Less Earned Revenue	-	-
Net Program Cost	67,758,823	86,165,986
Goal 3: Advance Collections Stewardship and Access		
Gross Cost	75,802,022	100,864,023
Less Earned Revenue	3,011,507	10,209,384
Net Program Cost	72,790,515	90,654,639
Goal 4: Demonstrate Excellence in Public Service		
Gross Cost	21,776,113	26,693,950
Less Earned Revenue	26,836	95,000
Net Program Cost	21,749,277	26,598,950
Net Cost of Operations	**$ 250,930,806**	**$ 305,391,202**

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

Institute of Museum and Library Services
Statement of Changes in Net Position
For the Fiscal Years Ended September 30, 2026 (CY) and 2025 (PY)
(In Dollars)

	FY 2026 (CY)			FY 2025 (PY)		
	Funds from Dedicated Collections (Consolidated Totals) (Note 9)	Funds from Other Than Dedicated Collections (Consolidated Totals)	Consolidated Total	Funds from Dedicated Collections (Consolidated Totals) (Note 9)	Funds from Other Than Dedicated Collections (Consolidated Totals)	Consolidated Total
Unexpended Appropriations						
Beginning Balance	$ -	$ 342,655,322	$ 342,655,322	$ -	$ 354,903,700	$ 354,903,700
Beginning Balance, as Adjusted	$ -	$ 342,655,322	$ 342,655,322	$ -	$ 354,903,700	$ 354,903,700
Appropriations Received	$ -	$ 291,800,000	$ 291,800,000	$ -	$ 294,800,000	$ 294,800,000
Other Adjustments	-	(7,701,026)	(7,701,026)	-	(2,695,203)	(2,695,203)
Appropriations Used	-	(251,581,135)	(251,581,135)	-	(304,353,175)	(304,353,175)
Net Change in Unexpended Appropriations	$ -	$ 32,517,839	$ 32,517,839	$ -	$ (12,248,378)	$ (12,248,378)
Total Unexpended Appropriations	$ -	$ 375,173,161	$ 375,173,161	$ -	$ 342,655,322	$ 342,655,322
Cumulative Results of Operations						
Beginning Balance	$ 97,827	$ (735,108)	$ (637,281)	$ 145,068	$ (1,135,888)	$ (990,820)
Beginning Balance, as Adjusted	$ 97,827	$ (735,108)	$ (637,281)	$ 145,068	$ (1,135,888)	$ (990,820)
Appropriations Used	$ -	$ 251,581,135	$ 251,581,135	$ -	$ 304,353,175	$ 304,353,175
Donations and Forfeitures of Cash and Cash Equivalents	1,628	-	1,628	(36,581)	-	(36,581)
Imputed Financing	-	655,422	655,422	-	1,428,148	1,428,148
Net Cost of Operations	-	250,930,806	250,930,806	10,660	305,380,542	305,391,202
Net Change in Cumulative Results of Operations	$ 1,628	$ 1,305,751	$ 1,307,379	$ (47,241)	$ 400,781	$ 353,540
Total Cumulative Results of Operations	$ 99,455	$ 570,643	$ 670,098	$ 97,827	$ (735,108)	$ (637,281)
Net Position	**$ 99,455**	**$ 375,743,804**	**$ 375,843,259**	**$ 97,827**	**$ 341,920,214**	**$ 342,018,041**

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

Institute of Museum and Library Services
Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2026 (CY) and 2025 (PY)
(In Dollars)

	2026 (CY)	2025 (PY)
	Budgetary	Budgetary
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	$ 17,523,713	$ 13,247,849
Appropriations (Discretionary and Mandatory)	288,696,350	294,810,136
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	26,836	125,000
Total Budgetary Resources	$ 306,246,899	$ 308,182,985
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total)	$ 291,473,853	$ 294,970,942
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	1,774,369	942,303
Exempt from Apportionment, Unexpired Accounts	99,455	97,827
Unapportioned, Unexpired Accounts	-	3,176,100
Unexpired, Unobligated Balance, End of Year	1,873,824	4,216,230
Expired Unobligated Balance, End of Year	12,899,222	8,995,813
Unobligated Balance, End of Year (Total)	14,773,046	13,212,043
Total Budgetary Resources	$ 306,246,899	$ 308,182,985
Outlays, Net and Disbursements, Net		
Outlays, Net (Total) (Discretionary and Mandatory)	$ 246,216,035	$ 336,876,288
Distributed Offsetting Receipts (-)	(1,628)	(10,136)
Agency Outlays, Net (Discretionary and Mandatory)	$ 246,214,407	$ 336,866,152
Disbursements, Net (Total) (Mandatory)	-	-

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

Institute of Museum and Library Services
Notes to the Financial Statements
As of September 30, 2026
(In Dollars)
Audited

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. These financial statements differ 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

IMLS is the primary source of federal support for the nation's libraries and museums. The mission of IMLS is to advance, support, and empower America's museums, libraries, and related organizations through grantmaking, research, and policy development. Our vision is a nation where museums and libraries work together to transform the lives of individuals and communities. IMLS supports key issues of national concern.

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. The National Museum of the American Latino Act, P.L. 116.260, Title II, Section 201 authorizes the IMLS National Museum of the American Latino grant program. IMLS has no balances from transactions with disclosure entities.

The reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government.

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 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. IMLS's function is to support museum and library services.

C. Budgets and Budgetary Accounting (continued)

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to Federal agencies by law and help ensure compliance with the law.

The following budget terms are commonly used:

Appropriation means a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.

Budgetary resources mean amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

Offsetting collections mean payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority.

Offsetting receipts mean payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.

Obligation means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Outlay means a payment to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of Government spending.

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

FBWT is an asset of a reporting entity and a liability of the General Fund. The amounts represent commitments by the Government to provide resources for particular programs, but they do not represent assets to the Government as a whole.

When the reporting entity seeks to use FBWT to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

F. Accounts Receivable

The agency reports an accounts receivable balance when amounts for revenue and expenses related to reimbursable agreements are accrued for reporting purposes in addition to amounts for services or goods rendered with non-federal entities provided which have yet to be paid for.

G. Advances and Prepayments

IMLS records grant payments for work not yet performed at quarter-end as advances. As advances are liquidated in subsequent fiscal quarters, they are recorded as expenses.

H. Revenue and Other Financing Sources

As a component of the Government-wide reporting entity, the entity is subject to the Federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in entity and the Government-wide financial reports.

The reporting entity's budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but they do not reflect assets to the Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits). After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

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, which constitute funds from dedicated collections, may be restricted as to the purpose or time period for which they are provided.

I. 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.

J. 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 $75,000 for individual purchases and $100,000 for aggregate purchases with a minimum $10,000 per item. For internal use software, the capitalization threshold is $250,000. Estimated useful lives by asset class are as shown below:

Asset Class	Useful Life
Computer equipment & software	3 years
Internal Use Software	5 years
Office equipment	5 years
Furniture	7 years
Leasehold Improvement	Lease Term

K. Liabilities

Liabilities represent transactions or events that have already occurred for which IMLS will likely pay. Absent an appropriation, or in some cases donated funds, the agency cannot pay a liability. 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.

L. 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.

M. 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.

N. Retirement Plans

Federal 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. IMLS does not have any employees participating in CSRS.

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.

O. Imputed Benefit Costs

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost in the Statement of Net Cost and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

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.

P. 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.

Q. Federal Employee and Veteran Benefits

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

R. Commitments and Contingencies

There are no commitments or contingencies that require disclosure.

S. Stewardship Investments

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation. Costs of stewardship-type resources are treated as expenses in determining the net cost of operations. For IMLS, such investments are measured in terms of expenses incurred in research and development.

T. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

U. Change in Presentation

The financial statements and notes to the financial statements have been updated in FY 2026 to a prior-year comparative presentation.

V. Rounding

Some totals and amounts reflected in the financial statements and notes may differ due to rounding.

Institute of Museum and Library Services
Notes to the Financial Statements
As of September 30, 2026
(In Dollars)
Audited

Note 2: Fund Balance with Treasury

	2026 (CY)
Status of Fund Balance with Treasury	
Unobligated Balance	$ 14,773,046
Obligated Balance not yet Disbursed	392,096,090
Non-Budgetary Fund Balance with Treasury	-
Total Fund Balance with Treasury	$ 406,869,136

	2025 (PY)
Status of Fund Balance with Treasury	
Unobligated Balance	$ 13,212,043
Obligated Balance not yet Disbursed	355,772,526
Non-Budgetary Fund Balance with Treasury	-
Total Fund Balance with Treasury	$ 368,984,569

Institute of Museum and Library Services
Notes to the Financial Statements
As of September 30, 2026
(In Dollars)
Audited

Note 3: General Property, Plant & Equipment

Major Class	2026 (CY) Acquisition Value	Accumulated Amortization	Net Book Value
Leasehold Improvements	$ 1,352,155	$ -	$ 1,352,155
IT Equipment	47,341	47,341	-
Office Furniture and Equipment	154,142	154,142	-
Total PP&E	$ 1,553,638	$ 201,483	$ 1,352,155

Major Class	2025 (PY) Acquisition Value	Accumulated Amortization	Net Book Value
Leasehold Improvements	$ 888,936	$ 851,897	$ 37,039
IT Equipment	358,113	358,113	-
Office Furniture and Equipment	607,219	607,219	-
Total PP&E	$ 1,854,268	$ 1,817,229	$ 37,039

The 10 year occupancy agreement at the 955 L'Enfant Plaza location has expired. The leasehold improvements for the L'Enfant Plaza location have been fully amortized as of the second quarter of FY 2026 and removed from the general ledger. The current leasehold improvements balance consists of construction costs to build a new 6,600 square foot office space at the Francis Perkins Building (FPB), 200 Constitution Ave, Washington, DC, with a planned occupancy in October 2026. Amortization for the leasehold improvements amounts will commence once the new office is occupied.

The IT Equipment and the Office Furniture and Equipment balances include items relocated from the L'Enfant Plaza location, with the goal of limiting new acquisitions when feasible for the new office location. These items have been fully depreciated in accordance with the agency's policy.

Institute of Museum and Library Services
Notes to the Financial Statements
As of September 30, 2026
(In Dollars)
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Note 4: Advances and Prepayments

	2026 (CY)	2025 (PY)
Intragovernmental Assets		
Advances and Prepayments	$ 13,628,419	$ 5,721,089
Total Intragovernmental Assets	13,628,419	5,721,089
Other than Intragovernmental Assets		
Advances and Prepayments	4,481,488	8,100,347
Total Other than Intragovernmental Assets	4,481,488	8,100,347
Total Other Assets	$ 18,109,907	$ 13,821,436

The intragovernmental advances balance primarily consists of advances to the Smithsonian Institution to support the Latino Museum Studies Program Arts Administration Fellowships, the Department of Interior for the America 250 Native American, International, and Insular Areas Museum and Cultural Heritage Program, the Department of Interior for the Garden of Heroes agreement, the Library of Congress for the National Book Festival, and the Enterprise Services Center to provide a procurement and acquisition system and travel services.

The amount in the Other than Intragovernmental Assets Advances and Prepayments line item represents the total amount of unliquidated grant advances requested and paid to grantees as of the month ended September 30, 2026. 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 notice or a request for advance or reimbursement within 30 days of receipt. Significant differences in year to year comparisons can occur depending on fluctuations in the amount of advance requests by grantees in the Grants To States program at the end of a period.

Institute of Museum and Library Services
Notes to the Financial Statements
As of September 30, 2026
(In Dollars)
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Note 5: Liabilities Not Covered by Budgetary Resources

	2026 (CY)	2025 (PY)
Intragovernmental Liabilities		
Deferred Rent Expense	$ -	$ 68,550
Other Unfunded Employment Related Liability - Treasury	33,643	47,834
Total Intragovernmental Liabilities	33,643	116,384
Other than Intragovernmental Liabilities		
Unfunded Leave	747,869	655,762
Total Other than Intragovernmental Liabilities	747,869	655,762
Total Liabilities Not Covered by Budgetary Resources	781,512	772,146
Total liabilities Covered by Budgetary Resources	49,706,427	40,052,857
Total liabilities Not Requiring Budgetary Resources	-	-
Total Liabilities	$ 50,487,939	$ 40,825,003

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

The Deferred Rent Expense for the L'Enfant Plaza location has been fully amortized in FY 2026.

Institute of Museum and Library Services
Notes to the Financial Statements
As of September 30, 2026
(In Dollars)
Audited

Note 6: Other Liabilities

		2026 (CY)
Intragovernmental Other Liabilities		
Employer Contributions and Payroll Taxes Payable	$	57,983
Other Unfunded Employment Related Liability - Treasury		33,643
Liability for Non-entity Assets Not Reported on the Statement of Custodial Activity		-
Total Intragovernmental Other Liabilities		91,626
Other than Intragovernmental Other Liabilities		
Accrued Grant Liabilities		41,504,904
Total Other than Intragovernmental Other Liabilities		41,504,904
Total Other Liabilities	$	41,596,530

		2025 (PY)
Intragovernmental Other Liabilities		
Deferred Rent Expense	$	68,550
Employer Contributions and Payroll Taxes Payable		133,243
Other Unfunded Employment Related Liability - Treasury		47,834
Liability for Non-entity Assets Not Reported on the Statement of Custodial Activity		-
Total Intragovernmental Other Liabilities		249,627
Other than Intragovernmental Other Liabilities		
Accrued Grant Liabilities		28,940,571
Total Other than Intragovernmental Other Liabilities		28,940,571
Total Other Liabilities	$	29,190,198

The grant accrual amount is computed using the straight line method. The accrual is calculated by dividing the beginning award balance by the number of months in the grant performance period. For prior year GTS cohorts that have a performance period end date of September 30, 2026, the total remaining grant balance is accrued less a four-year historical average of the total GTS program remaining balance for each cohort (unspent funding) calculation percentage.

Note 7: Federal Employee Benefits Payable

	2026 (CY)	2025 (PY)
Accrued Funded Payroll and Leave	$ 201,016	$ 805,288
TSP - Employer Contributions and Payroll Taxes Payable	8,506	12,969
Unfunded Leave	747,869	655,762
Total Federal Employee Benefits Payable	$ 957,391	$ 1,474,019

Note 8: Lease

In the second quarter of FY 2025 GSA notified IMLS that in accordance with the March 14th, 2025 Executive Order #14238, GSA cancelled the Occupancy Agreement with IMLS for the office space at 955 L'Enfant Plaza. Beginning in April of 2025, GSA ceased billing of IMLS for the office space. IMLS has continued to accrue expenses that were incurred for the L'Enfant Plaza space resulting in a liability balance of $1,316,245 as of September 30, 2026. GSA is planning to bill for the liability balance in October 2026.

IMLS has entered into a design and construction contract to relocate to a new office space at the FPB. The planned relocation date is October 2026. A FY 2027 occupancy agreement with GSA is currently being drafted as of September 30, 2026.

Currently, IMLS is located in a temporary space at the FPB until the new office space is available.

Institute of Museum and Library Services
Notes to the Financial Statements
As of September 30, 2026
(In Dollars)
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Note 9: Funds from Dedicated Collections

IMLS has a dedicated collections fund for Gifts and 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.

	2026 (CY)	2025 (PY)
Balance Sheet		
Assets		
Fund Balance with Treasury	$ 99,455	$ 97,827
Total Assets	99,455	97,827
Liabilities		
Other Liabilities	-	-
Cumulative Results of Operations	99,455	97,827
Total Liabilities and Net Position	$ 99,455	$ 97,827
Statement of Net Cost		
Gross Program Costs	$ -	$ (10,660)
Less: Donated Revenues	1,628	10,136
Less: Refunded Revenues	-	(46,717)
Net Program Costs	$ 1,628	$ (47,241)
Statement of Changes in Net Position		
Net Position, Beginning of Period	$ 97,827	$ 145,068
Net Cost of Operations	1,628	(47,241)
Net Position, End of Period	$ 99,455	$ 97,827

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

SUPPORTING SCHEDULE BY SUBORGANIZATION

For the Fiscal Year Ended September 30, 2026 (CY)

(In Dollars)

Audited

Note 10 Suborganization Program Costs/Program Costs by Segment

	2026 (CY)				
Program Costs:	**Library State Grants**	**Library Other Grants**	**Museum Grants**	**Administrative**	**Total**
Goal 1: Champion Lifelong Learning					
Gross Costs	$ 55,176,182	$ 14,291,512	$ 19,053,795	$ 110,702	$ 88,632,191
Less: Earned Revenues	-	-	-	-	-
Net Program Costs	$ 55,176,182	$ 14,291,512	$ 19,053,795	$ 110,702	$ 88,632,191
Goal 2: Strengthen Community Engagement					
Gross Costs	$ 56,848,188	$ 5,261,754	$ 5,593,836	$ 55,045	$ 67,758,823
Less: Earned Revenues	-	-	-	-	-
Net Program Costs	$ 56,848,188	$ 5,261,754	$ 5,593,836	$ 55,045	$ 67,758,823
Goal 3: Advance Collections Stewardship and Access					
Gross Costs	$ 55,176,182	$ 5,088,982	$ 15,445,514	$ 91,344	$ 75,802,022
Less: Earned Revenues	-	-	3,011,507	-	3,011,507
Net Program Costs	$ 55,176,182	$ 5,088,982	$ 12,434,007	$ 91,344	$ 72,790,515
Goal 4: Demonstrate Excellence in Public Service					
Gross Costs	$ -	$ -	$ -	$ 21,776,113	$ 21,776,113
Less: Earned Revenues	-	-	-	26,836	26,836
Net Program Costs	$ -	$ -	$ -	$ 21,749,277	$ 21,749,277
Net Cost of Operations	$ 167,200,552	$ 24,642,248	$ 37,081,638	$ 22,006,368	$ 250,930,806

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
SUPPORTING SCHEDULE BY SUBORGANIZATION
For the Fiscal Year Ended September 30, 2025 (PY)
(In Dollars)
Audited

Note 10 Suborganization Program Costs/Program Costs by Segment

Program Costs:	Library State Grants	Library Other Grants	Museum Grants	Administrative	Total
			2025 (PY)		
Goal 1: Champion Lifelong Learning					
Gross Costs	$ 61,053,913	$ 13,780,009	$ 26,902,003	$ 235,702	$ 101,971,627
Less: Earned Revenue	-	-	-	-	-
Net Program Costs	$ 61,053,913	$ 13,780,009	$ 26,902,003	$ 235,702	$ 101,971,627
Goal 2: Strengthen Community Engagement					
Gross Costs	$ 62,904,032	$ 10,084,724	$ 12,704,440	$ 472,790	$ 86,165,986
Less: Earned Revenue	-	-	-	-	-
Net Program Costs	$ 62,904,032	$ 10,084,724	$ 12,704,440	$ 472,790	$ 86,165,986
Goal 3: Advance Collections Stewardship and Access					
Gross Costs	$ 61,053,913	$ 9,473,168	$ 30,073,964	$ 262,978	$ 100,864,023
Less: Earned Revenue	-	-	10,209,384	-	10,209,384
Net Program Costs	$ 61,053,913	$ 9,473,168	$ 19,864,580	$ 262,978	$ 90,654,639
Goal 4: Demonstrate Excellence in Public Service					
Gross Costs	$ -	$ -	$ -	$ 26,693,950	$ 26,693,950
Less: Earned Revenue	-	-	-	95,000	95,000
Net Program Costs	$ -	$ -	$ -	$ 26,598,950	$ 26,598,950
Net Cost of Operations	$ 185,011,858	$ 33,337,901	$ 59,471,023	$ 27,570,420	$ 305,391,202

Note 11: Exchange Revenues

Exchange Revenue in the amount of $3,038,343 and $10,304,384 was recorded in FY 2026 and FY 2025, respectively.

The amount of exchange revenue in FY 2026 and FY 2025 is primarily related to reimbursable agreements with the National Park Service for the Save America's Treasures grants. The National Park Service's agreements have been developed due to Public Law 115-31 and Public Law 115-141 appropriating funds from the Historic Preservation Fund for the Save America's Treasures grants which are for the conservation of important historical collections.

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 12: Inter-Entity Costs

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing Federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by IMLS are recognized as imputed costs in the Statement of Net Cost, and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs and revenues relate to employee benefits for IMLS. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

Institute of Museum and Library Services
Notes to the Financial Statements
As of September 30, 2026
(In Dollars)
Audited

Note 13: Undelivered Orders at the End of the Period

	2026 (CY)		
	Federal	Non-Federal	Total
Undelivered Orders - Paid	$ 13,628,419	$ 4,481,488	$ 18,109,907
Undelivered Orders - Unpaid	420,349	348,012,649	348,432,998
Total Undelivered Orders	$ 14,048,768	$ 352,494,137	$ 366,542,905

	2025 (PY)		
	Federal	Non-Federal	Total
Undelivered Orders - Paid	$ 5,721,089	$ 8,100,347	$ 13,821,436
Undelivered Orders - Unpaid	9,185,550	315,867,532	325,053,082
Total Undelivered Orders	$ 14,906,639	$ 323,967,879	$ 338,874,518

Institute of Museum and Library Services
Notes to the Financial Statements
As of September 30, 2026
(In Dollars)
Audited

Note 14: Explanation of Differences between the SBR and the Budget of the U.S. Government

The President's Budget for fiscal year 2027, published in April of 2026, included IMLS actual budget amounts for fiscal year 2025 in the "Other Independent Agencies" section located in the Appendix of the Budget, which can be found at https://www.whitehouse.gov/omb/information-resources/budget/. Actual numbers for fiscal year 2026 will be included in the President's Budget for fiscal year 2028. The budget can be found at https://www.whitehouse.gov/omb/information-resources/budget/ when it becomes available.

Differences exist between the amounts reported in the fiscal year 2025 Statement of Budgetary Resources and the fiscal year 2025 enacted amounts reported in the fiscal year 2027 Budget of the U.S. Government. The difference in the Budgetary Resources amounts is due to a combination of rounding, no year fund balances, and the expired unobligated balances from prior year annual funds that are reported in the Statement of Budgetary Resources and the SF 133 but not in the Budget of the U.S. Government. The totals for Net Outlays have been rounded up to the next million.

FY25 (in Millions of Dollars)	Total Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$308	$295	$0	$337
Differences	$9	$0	$0	$0
Budget of the U.S. Government	$299	$295	$0	$337

Note 15: 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.

	2026 (CY)	2025 (PY)
Collections for IMLS projects funded in prior years	$ 129,948	$ 4,559
Total cash collections	$ 129,948	$ 4,559
Disposition of collections:		
Transferred to Treasury (general fund)	$ 129,948	$ 4,559
Retained by the reporting entity	-	-
Net custodial revenue activity	$ -	$ -

Note 16: Contributed Capital

IMLS 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 2026, IMLS has received $1,628 in contributions. In FY 2025, IMLS received $10,136 in total contributions. IMLS returned contributions to donors in the amount of $46,717 in FY25.

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Note 17: Reconciliation of Net Cost to Net Outlays

	2026 (CY)		
	Federal	Non-Federal	Total
Net Operating Cost	$ 1,903,412	$ 249,027,394	$ 250,930,806
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation, Amortization, and Depletion	-	(37,039)	(37,039)
Increase/(decrease) in assets not affecting Budget Outlays:			
Accounts Receivable	-	-	-
Advances and Prepayments	7,907,330	(3,618,859)	4,288,471
(Increase)/decrease in liabilities not affecting Budget Outlays:			
Accounts Payable	(658,165)	(405,143)	(1,063,308)
Advances From Others and Deferred Credits	3,290,077	-	3,290,077
Federal Employee and Benefits Payable	-	516,628	516,628
Other Liabilities	158,001	-	158,001
Other Liabilities - Accrued Grant Liabilities	-	(12,564,334)	(12,564,334)
Financing Sources			
Imputed Financing Costs	(655,422)	-	(655,422)
Total Components of Net Operating Cost Not Part of the Budget Outlays	10,041,821	(16,108,747)	(6,066,926)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	-	1,352,155	1,352,155
Financing Sources			
Donated Revenue	-	(1,628)	(1,628)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	-	1,350,527	1,350,527
Misc Items			
Custodial/Non-exchange Revenue	-	(129,948)	(129,948)
Non-Entity Activity	129,948	-	129,948
Total Other Reconciling Items	129,948	(129,948)	-
Total Net Outlays	$ 12,075,181	$ 234,139,226	$ 246,214,407
Budgetary Agency Outlays			
Statement of Budgetary Resources Outlays, Net			$ 246,216,035
Distributed Offsetting Receipts			(1,628)
Budgetary Agency Outlays, Net			$ 246,214,407

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	2025		
	Federal	Non-Federal	Total
Net Operating Cost	$ (2,503,782)	$ 307,894,984	$ 305,391,202
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation, Amortization, and Depletion	-	(88,894)	(88,894)
Increase/(decrease) in assets not affecting Budget Outlays:			
Accounts Receivable	-	-	-
Advances and Prepayments	4,887,329	5,497,678	10,385,007
(Increase)/decrease in liabilities not affecting Budget Outlays:			
Accounts Payable	(651,897)	542,944	(108,953)
Advances From Others and Deferred Credits	10,243,740	-	10,243,740
Federal Employee and Benefits Payable	-	(171,077)	(171,077)
Other Liabilities	78,322	-	78,322
Other Liabilities - Accrued Grant Liabilities	-	12,528,372	12,528,372
Financing Sources			
Imputed Financing Costs	(1,428,148)	-	(1,428,148)
Total Components of Net Operating Cost Not Part of the Budget Outlays	13,129,346	18,309,023	31,438,369
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Financing Sources			
Donated Revenue	-	(10,136)	(10,136)
Contra Revenue for Donations	-	46,717	46,717
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	-	36,581	36,581
Misc Items			
Custodial/Non-exchange Revenue	-	(4,559)	(4,559)
Non-Entity Activity	4,559	-	4,559
Net Outlays	$ 10,630,123	$ 326,236,029	$ 336,866,152
Related Amounts on the Statement of Budgetary Resources			
Outlays, net	$ 336,876,288		
Distributed Offsetting Receipts	(10,136)		
Agency Outlays, Net	$ 336,866,152		

SECTION 3:
Other Information

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Table 1: Summary of Financial Statement Audit

AUDIT OPINION	UNMODIFIED				
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	UNMODIFIED					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None						
Total Material Weaknesses	0	0	0	0	0	0

EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
STATEMENT OF ASSURANCE	UNMODIFIED					
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	FEDERAL SYSTEMS CONFORM TO FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS					
NON-COMPLIANCES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None						
Total Non-Compliances	0	0	0	0	0	0

COMPLIANCE WITH SECTION 803(A) OF THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)		
	AGENCY	AUDITOR
Overall Substantial Compliance	Not applicable *	Not applicable *
1. Federal Financial Management System Requirements	Not applicable *	
2. Applicable Federal Accounting Standards	Not applicable *	
3. USSGL at Transaction Level	Not applicable *	

** OMB Bulletin 14-02 states that agencies subject to the ATDA and Government Corporation Control Act are not subject to the requirements of FFMIA.*

PAYMENT INTEGRITY

The Improper Payment Information Act of 2002 (IPIA) and subsequent amendments, including the Payment Integrity Information Act of 2019, requires agencies to review all programs and activities they administer to identify those that may be susceptible to significant erroneous payments. For all programs and activities in which the risk of erroneous payment is significant, agencies are to estimate the annual amount of erroneous payments made in those programs.

Risk Assessment and Systematic Sampling Method

There are only four grant programs where the entire annual budget authority exceeds $10 million. These are: Grants to States, Laura Bush 21st Century Librarians, National Leadership Grants for Libraries, and Museums for America. Risk factors 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	No payments or eligibility decisions are made outside of the Agency.
Recent major changes in program funding, authorities, practices, or procedures	No recent major changes have been made for program funding, authorities, practices, or procedures. Primary increase from supplemental funding was the Grants to States program.
Training for personnel	IMLS staff are adequately trained throughout the year on current grants administration practices and policies within the U.S. 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 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, the District of Columbia, the U.S. territories, and the Freely Associated States. The recipient is the SLAA of each state or territory and does not change from year to year. The other four programs follow the IMLS discretionary grant process and each institution is pre-determined for eligibility (as are applicants to all our grant programs).

To identify payments that were erroneously paid, a review of all FY 2026 grant payments was performed. In FY 2026, there were $0 in overpayments and $0 in underpayments or .0000 percent of the Agency outlays of $226.89 million for grant programs. In FY 2025, there were $7,912 in overpayments or .0025 percent of the Agency outlays of $311.44 million for grant programs. As of September 30, 2025, IMLS has recovered 100 percent of these payments. In FY 2025 there were no underpayments.

In accordance with the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), the FY 2026 administrative expense review included vendor payments and employee travel costs but did not include payroll costs because the actual disbursement of payroll costs to employees is fully the responsibility of our shared service provider. Interagency agreement payments are also not included. There were $1,614.73 of administrative improper overpayments as of September 30, 2026, of which 52.9 percent was contracting interest charges. These funds are not subject to recapture and will not be recovered. Of the remaining $761.10 in overpayments, 91 percent was recaptured by September 30, 2026. In FY 2026, there were no contracting invoice underpayments. There was $1,852.88 of administrative improper payments as of September 30, 2025, of which 100 percent was contracting interest charges. These funds are not subject to recapture and will not be recovered. In FY 2025, there were no contracting invoice underpayments.

Corrective Actions

While IMLS has determined that no programs are susceptible to significant erroneous payments, it has continued to strengthen its preventative controls prior to disbursement of grant and administrative payments. In FY 2026, IMLS, along with its financial management shared-service provider, continued the use of the Batch Processing function of OMB's Do Not Pay (DNP) Solution. If a payment is paid in error and deemed improper, IMLS can immediately collect those funds. IMLS reviews 100 percent of reimbursement or advance grant payment requests before a disbursement is made.

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	$311.44M	0.0025	$.008M	$226.89M	0.000	$.000M
Administrative	$10.72M	0.017	$.002M	$6.50M	0.025	$.002M
Total	$322.16M		$.010M	$233.39M		$.002M

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	$240M	0.000	$.000M	$240M	0.000	$.0000M	$240M	0.000	$.000M
Administrative	$7M	0.000	$.000M	$9M	0.000	$.0000M	$9M	0.000	$.000M
Total	$247M		$.000M	$249M		$.0000M	$249M		$.000M

** Outlays do not match to the President's Budget due to payroll and interagency agreement outlays not reflected.*

TABLE 2: OVERPAYMENTS RECAPTURED OUTSIDE OF PAYMENT RECAPTURE AUDITS

AGENCY SOURCE: (POST-PAYMENT REVIEWS)	AMOUNT IDENTIFIED (CY)	AMOUNT RECAPTURED (CY)	AMOUNT IDENTIFIED (PY)	AMOUNT RECAPTURED (PY)	CUMULATIVE AMOUNT IDENTIFIED (CY+PY)	CUMULATIVE AMOUNT RECAPTURED (CY+PY)
Grants	$.000M	$.000M	$.008M	$.008M	$.008M	$.008M
Administration	$.002M	$.001M	$.002M	$.000M	$.004M	$.001M
Total	$.002M	$.001M	$.010M	$.008M	$.012M	$.009M

Agency Reduction of Improper Payments with the Do Not Pay Initiative

An important part of IMLS's program integrity efforts designed to prevent, identify, and reduce improper payments, is integrating the Treasury Department's DNP Business Center into our existing processes. IMLS utilizes the DNP Business Center to perform online searches, screen payments against the DNP databases, and augment Office of Financial Management's data analytics capabilities.

IMLS follows established pre-enrollment, pre-award, and pre-payment processes for all acquisition and financial assistance awards. Pre-enrollment procedures include cross-referencing applicants against General Services Administration's (GSA) System for Award Management (SAM) exclusion records. We also review federal and commercial databases to verify past performance, U.S. Federal Government debt, integrity, and business ethics. As part of our pre-award process and prior to entering into an agreement, we require recipients of financial assistance to verify the entities they transact with are not excluded from receiving federal funds. For pre-payment processes, ESC verifies an entity against both SAM and the Internal Revenue Service's Taxpayer Identification Number (TIN) Match Program before establishing them as a vendor in our core financial accounting system.

Using the DNP Business Center helps IMLS to improve the quality and integrity of information within our financial system. ESC engaged the DNP Analytics Services to match our vendor records with the Death Master File (DMF) which enabled them to classify the vendor records into risk-based categories for further evaluation. ESC deactivated the highest risk vendor records, thereby decreasing the likelihood of improper payments to deceased individuals.

IMLS performs post-payment reviews to adjudicate conclusive matches identified by the DNP Business Center. The monthly adjudication process involves verifying payee information against internal sources, reviewing databases within the DNP Business Center, and confirming whether IMLS applied appropriate business rules when the payments were made.

The upgrade by the DNP Business Center to improve its capabilities by automating the adjudication process through the DNP portal and providing better matching against SAM in the prior year has resulted in efficiencies. ESC is up to date on reviews based on DNP's automated adjudication process.

More detailed information on improper payments and all of the information previously reported in the Agency's prior year AFRs that is not included in this year's AFR can be accessed at https://paymentaccuracy.gov.

TABLE 3: IMPLEMENTATION OF THE DO NOT PAY INITIATIVE TO PREVENT IMPROPER PAYMENTS

	NUMBER (#) OF PAYMENTS REVIEWED FOR IMPROPER PAYMENTS	DOLLARS ($) OF PAYMENTS REVIEWED FOR IMPROPER PAYMENTS	NUMBER (#) OF PAYMENTS STOPPED	DOLLARS ($) OF PAYMENTS STOPPED	NUMBER (#) OF IMPROPER PAYMENTS REVIEWED AND NOT STOPPED	DOLLARS ($) OF IMPROPER PAYMENTS REVIEWED AND NOT STOPPED
Reviews with the DMF and SAM	4,434	$218.2M	0	$0	0	$0

FRAUD REDUCTION REPORT

IMLS conducts an annual survey of all office heads to review and respond on all core agency and office specific functions for reported or suspected fraud, waste, or abuse. Both the FY 2026 and FY 2025 surveys resulted in no responses that would indicate any fraud, waste, or abuse. The Agency has an internal Risk Management Council that monitors the status of active projects and continues to propose top priorities for further review by the Leadership Team. The Agency provides internal training on the Grants Administration Manual (GAM) which is posted on the Agency's intranet. This incorporates recent updates from OMB to grants management policies. Making the GAM accessible to all staff increases the efficiency of conducting grantmaking operations and further reduces the probability of fraud, waste, or abuse of government funds.