



Annual Financial Report

FISCAL YEAR 2019

Table of Contents

Message from the Director	3
1. Management’s Discussion and Analysis (MD&A)	4
A. IMLS Overview and Mission	4
B. Strategic Goals.....	5
C. Scope.....	7
Library Services.....	7
Museum Services.....	11
D. Brief Analysis of Financial Statements.....	20
Stewardship Investments.....	21
Limitations of Financial Statements	21
E. Management Assurances	22
Overall Internal Control.....	22
Internal Control over Financial Reporting.....	22
2. Financial Information	23
Message from the Chief Financial Officer	
IMLS Audit of Financial Statements	
Required Supplementary Stewardship Information.....	24
3. Other Information.....	25
Message from the Chief Financial Officer	25
Summary of Financial Statement Audit and Management Assurances (unaudited)	26
Payment Integrity.....	27
Agency Reduction of Improper Payments with the Do Not Pay Initiative	29
Fraud Reduction Report.....	30

Message from the Director



I am pleased to present the FY 2019 Annual Financial Report for the Institute of Museum and Library Services.

For more than two decades, our agency has invested in the essential services of both museums and libraries—organizations that form the backbone of communities

across the United States. From Georgia to Oregon, Texas to Alaska, and across Puerto Rico, the U.S. territories, and the Freely Associated States, IMLS funding helps bring broad access to the information, resources, and networks that people need to thrive.

IMLS designs its grants, research, and capacity building programs for a broad range of institutions. The agency funds libraries of many types: public, research, academic, and tribal, and museums across many disciplines: historical societies, botanical gardens, aquariums, science and technology centers, children's museums, and zoos.

Across the U.S., communities experience the irreplaceable and rich complexity of museums and libraries, from teens exploring a makerspace to community archivists researching the history of their neighborhoods. Veterans seek information about benefits, teachers use a museum's digital collections to engage their students. Community members look to their library for vital information and refuge during times of disaster, and conservation professionals work to save, preserve, and share our nation's stories with us. IMLS funding empowers libraries and museums to touch lives in so many ways.

We continue to learn about and respond to the diverse needs of Americans, adapting our programs to meet the evolving needs of these institutions and providing opportunities that support library and museum professionals. This year reflected our increased focus on the opportunities and challenges of small and rural communities, and we've made key investments in libraries and museums to build their capacity to meet the unique needs of the people they serve.

We also responded to the needs of tribal communities for broadband access and cultural preservation through two national convenings, in addition to our museum and library funding opportunities. And we continue investing in workforce development and learning services for people of all ages, skills, and backgrounds, including veterans and people with differing abilities. One of the tenets of our work is to bring community assets—knowledge, expertise, information, relationships, financial, and spaces—together with libraries and museums to help communities flourish.

We continue to evaluate and improve our capacity-building programs to help build organizational stability among museums and libraries and improve ability to respond to changing dynamics within their communities. For example, we're examining the landscape of capacity-building programs for museums and testing new models for supporting smaller libraries to further build expertise in key service areas.

Once again this year, I can confirm that the agency has met the standards for a reliable and complete internal control structure, including an agency-wide risk management council established to recommend and monitor high-priority investment areas. This is one way that we meet our strategic goal of achieving excellence and serving as a model agency through effective stewardship of our federal resources.

Over the next year, IMLS will continue to respond to the needs and opportunities in the museum and library fields. We'll also continue building an agency culture and operations to become even more of a learning organization.

This shift will enable us to invest in a range of activities, such as early-stage exploratory work, pilots of emerging approaches, and scaling up promising practices or expanding proven programs to broader audiences or new areas of need.

We've made important progress this year. I look forward to building on this throughout FY 2020, working alongside the IMLS team and board, the museum and library fields, and those they serve.

Kathryn K. Matthew

Kathryn K. Matthew, PhD, MBA

Director

SECTION 1

Management's Discussion and Analysis (MD&A)

A. IMLS OVERVIEW AND MISSION

The Institute of Museum and Library Services 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 with museum programs dating back to 1976.

The agency 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

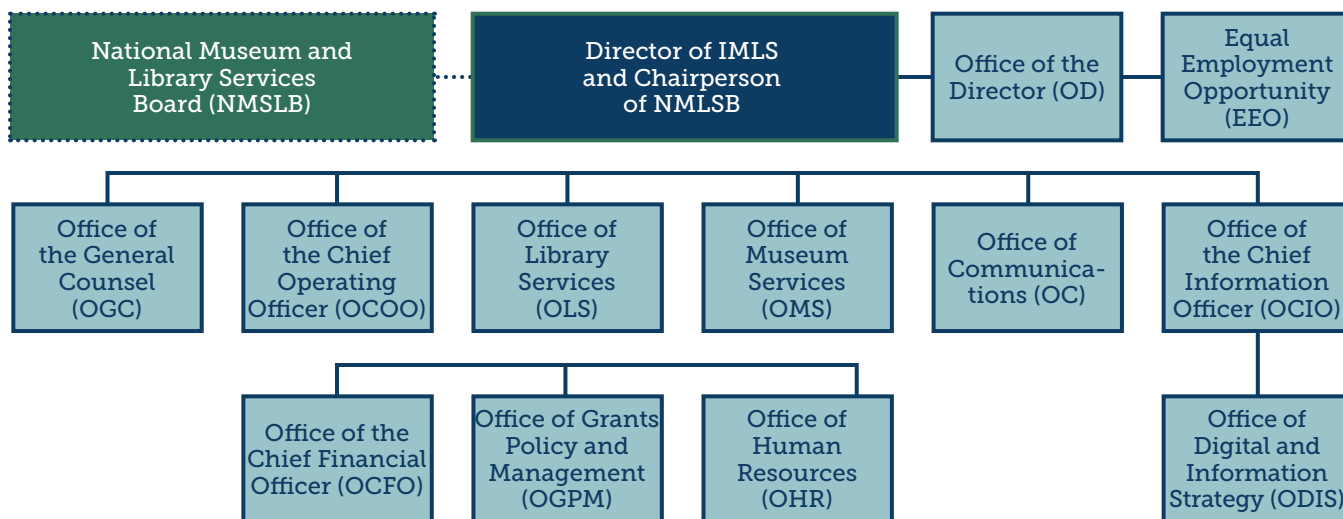
collective knowledge, lifelong learning, and cultural and civic engagement. And the agency builds capacity within the museum and library fields to enable better service to communities and to enhance community decision-making by sharing trends and data.

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 has chosen to produce an Agency Financial Report (AFR) and an Annual Performance Report (APR) and will include its FY 2019 APR with its Congressional Budget Justification. The agency will also post it on the IMLS website, www.imls.gov, by February 3, 2020.

IMLS Organizational Chart



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 millions.

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’s strategic goals and objectives are outlined in *Transforming Communities*, the IMLS Strategic Plan 2018-2022. This plan, developed with input from our stakeholders, frames how we envision meeting the essential information, education, research, economic, cultural, and civic needs of the American public over the next five years.

STRATEGIC GOALS AND OBJECTIVES

- 1. Promote Lifelong Learning.** IMLS supports learning and literacy for people of all ages through museums and libraries.

 - 1.1 Enhance library and museum resources that foster early, digital, information, health, financial, media, civic, and other types of literacies.
 - 1.2 Support cross-disciplinary and inquiry-based methods of learning within museums and libraries.
 - 1.3 Invest in library and museum programs that focus on continuous learning for families and individuals of diverse cultural and socio-economic backgrounds and needs.
 - 1.4 Leverage the distinct role of museums and libraries as trusted sources of information.

- 2. Build Capacity.** IMLS strengthens the capacity of museums and libraries to improve the well-being of their communities.

 - 2.1. Support the recruitment, training, and development of library and museum staff, boards, and volunteers, helping to grow a skilled, professional workforce.
 - 2.2. Encourage library and museum professionals and institutions to share and adopt best practices and innovations.
 - 2.3. Identify trends in the museum and library fields to help organizations make informed decisions.
 - 2.4. Promote the ability of museums and libraries to serve as trusted spaces for community engagement and dialogue.

- 3. Increase Public Access.** IMLS makes strategic investments that increase access to information, ideas, and networks through libraries and museums.

 - 3.1. Support the stewardship of museum and library collections at institutions of all types and sizes.
 - 3.2. Invest in tools, technology, and training that enable people of all backgrounds and abilities to discover and use museum and library collections and resources.
 - 3.3. Invest in policies and partnerships that address barriers to accessing museum and library collections, programs, and information.
 - 3.4. Increase access to IMLS, museum, library, and community knowledge through effective communications.

- 4. Achieve Excellence.** IMLS strategically aligns its resources and relationships to support libraries and museums nationwide.

 - 4.1. Support the stewardship of museum and library collections at institutions of all types and sizes.
 - 4.2. Invest in tools, technology, and training that enable people of all backgrounds and abilities to discover and use museum and library collections and resources.
 - 4.3. Invest in policies and partnerships that address barriers to accessing museum and library collections, programs, and information.
 - 4.4. Increase access to IMLS, museum, library, and community knowledge through effective communications.

C. SCOPE

LIBRARY SERVICES

The Museum and Library Services Act (20 U.S.C. § 9171) authorizes the Office of Library Services to:

- to enhance coordination among Federal programs that relate to library, education, and information services;
- to promote continuous improvement in library services in all types of libraries in order to better serve the people of the United States;
- to facilitate access to resources in all types of libraries for the purpose of cultivating an educated and informed citizenry;
- to encourage resource sharing among all types of libraries for the purpose of achieving economical and efficient delivery of library services to the public;
- to promote literacy, education, and lifelong learning, including by building learning partnerships with school libraries in our Nation's schools, including tribal schools, and developing resources, capabilities, and programs in support of State, tribal, and local efforts to offer a well-rounded educational experience to all students;
- to enable libraries to develop services that meet the needs of communities throughout the Nation, including people of diverse geographic, cultural, and socioeconomic backgrounds, individuals with disabilities, residents of rural and urban areas, Native Americans, military families, veterans, and caregivers;
- to enable libraries to serve as anchor institutions to support community revitalization through enhancing and expanding the services and resources provided by libraries, including those services and resources relating to workforce development, economic and business development, critical thinking skills, health information, digital literacy skills, financial literacy and other types of literacy skills, and new and emerging technology;
- to enhance the skills of the current library workforce and recruit future professionals, including those from diverse and underrepresented backgrounds, to the field of library and information services;
- to ensure the preservation of knowledge and library collections in all formats and enable libraries to serve their communities during disasters;
- to enhance the role of libraries within the information infrastructure of the United States in order to support research, education, and innovation;
- to promote library services that provide users with access to information through national, State, local, regional, and international collaborations and networks; and
- to encourage, support, and disseminate model programs of library and museum collaboration.

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 Commonwealth of Puerto Rico, the U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands (20 U.S.C. § 9131). The formula consists of a minimum allotment set by law plus a supplemental amount based on population (dependent on annual appropriations). Population data are based on the information available from the U.S. Census Bureau.

The 2018 Act increased minimum allotments for states from \$680,000 to \$1,000,000, and for Pacific territories, from \$60,000 to \$100,000. Increases to the minimum allotments are dependent on increases to the program's budget, which was level funded in FY 2019. The Act limits administrative costs at the state level to four percent and requires a 34 percent match from non-federal state or local funds.

Programs and services delivered by each SLAA support the purposes and priorities set forth in the Library Services and Technology Act (LSTA). SLAAs 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.

Use of Funds

State Library Administrative Agencies take special precautions to 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, and 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;
- enhancing efforts to recruit future professionals, including those from diverse and underrepresented backgrounds, to the field of library and information services;
- developing public and private partnerships with other agencies, tribes, and community-based organizations;
- targeting library services to individuals of diverse geographic, cultural, and socioeconomic backgrounds, to individuals with disabilities, and to individuals with limited functional literacy or information skills;
- 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 State library administrative agency's plan.

Support for Pacific Territories and Freely Associated States

Under the 2010 Library Services and Technology Act, grants to the Pacific Territories and the Freely Associated States were made pursuant to a Special Rule, 20 U.S.C. § 9131(b)(3), that established a separate grants process for the Pacific region and the U.S. Virgin Islands. There were seven eligible entities for grants made available in this way: the U.S. territories of Guam, American Samoa, the Commonwealth of Northern Mariana Islands, and the U.S. Virgin Islands, and the Freely Associated States of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

The allotment amounts for the Freely Associated States supported the grants program, and Territories could apply for these funds, in addition to their Grants to States allotments. Up to five percent of this program's funding was set aside for Mid-Continent Research for Education and Learning to administer the process. Projects funded through this mechanism supported the Library Services and Technology Act purposes.

The 2018 Act modified the Special Rule, and FY 2019 was the last year of funding through this separate mechanism. To reduce administrative costs and burden, all entities that had been eligible for the program under the Special Rule will receive allotments through the Grants to States program.

Discretionary Grants

The Office of Library Services offered six funding opportunities in FY 2019:

- **National Leadership Grants** for Libraries invest in projects that address challenges faced by the library and archives fields and generate results such as new tools, research findings, or models that can be widely used.
- **Accelerating Promising Practices for Small Libraries (APP)**, a special initiative of National Leadership Grants for Libraries, supports projects that strengthen the ability of small and/or rural libraries and archives to serve their communities and to build grantee capacity through participation in a community of practice.
- **Native American Library Services Basic Grants**, which are awarded non-competitively, are available to eligible Native American and Native Alaskan organizations and may support existing library operations and/or maintain core library services.
- **Native American Library Services Enhancement Grants**, which are awarded competitively, can be used to enhance existing library services or to implement new services.
- **Native Hawaiian Library Services Grants** may be used for existing library services or to implement new library services.
- **Laura Bush 21st Century Librarian Program** supports professional development and training projects for libraries and archives.

Office of Library Services Highlights

- To encourage small and rural library applicants and strengthen their abilities to serve their communities, IMLS launched a new funding opportunity in 2019, Accelerating Promising Practices for Small Libraries (APP). The first 30 awards totaling \$1.2 million under this funding opportunity within the National Leadership Grants for Libraries will address the unique needs identified by tribal, rural, and small libraries. APP will also build grantee capacity through participation in a mentored community of practice based on their project category: School Library Practice, Community Memory, or Digital Inclusion.
- A state library project in Minnesota developed partnerships between public libraries and coin laundromats to test new models of early literacy outreach using Grants to States funds. This successful pilot was expanded through FY 2019 National Leadership Grants for Libraries funding.
- IMLS funded a third phase of its Measures that Matter cooperative agreement with the Chief Officers of State Library Agencies. This phase's pilot evaluative study will investigate what measures are meaningful and actionable to illuminate the contributions of library-based workforce development activities within their communities. It will build a foundation by assessing whether this approach can be used to measure the contributions of other library service activities related to community wellbeing.
- To further scale promising work with citizen science resources and public libraries, IMLS strengthened investments in low-cost toolkits that circulate in libraries in support of citizen science projects. This supplemental National Leadership Grant to Arizona State University will continue progress made since 2017.

- IMLS hosted and participated in two key stakeholder meetings in 2019 to enhance the agency's service to tribal communities. An IMLS Tribal Libraries Convening in June helped to identify shared needs in order to expand opportunity, access, and connectivity to Indian Country, and a National Tribal Broadband Summit was carried out as part of the American Broadband Initiative.
- In addition to project-based grants, IMLS continues to fund early career research. An FY 2019 award to Louisiana State University faculty will research effective practices to help archivists assist veterans and active duty personnel in preserving their personal digital archives, since contemporary soldiers no longer create and maintain analog personal archives as they did in the past.
- IMLS funded the University of Illinois at Urbana-Champaign University Library to develop a three-year continuing education program to train academic library practitioners to address privacy and related ethical implications of learning analytics projects. Laura Bush 21st Century Librarian Program funds will support face-to-face and online trainings of 200 participants each and make the training curriculum openly available.

Funding Snapshot

Grants to States			
PROGRAM	NUMBER OF AWARDS	FUNDS AWARDS	AWARDEE MATCH
Grants to States	56	\$160,545,464	\$82,506,932
Grants to States for Pacific Territories, Freely Associated States and the Virgin Islands	7	\$250,436	\$92,916*

*Only includes match from the Freely Associated States; no match is required from the territories.

Total for all Discretionary Programs*				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
833	329	\$83,852,359	\$28,483,000	\$4,921,053

*Please note that match requirements vary by program.

By Program

Laura Bush 21st Century Librarian Program					
NUMBER OF PRELIMINARY PROPOSALS	NUMBER OF INVITED APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
96	45	32	\$30,856,572	\$10,014,000	\$2,524,518

National Leadership Grants for Libraries*					
NUMBER OF PRELIMINARY PROPOSALS	NUMBER OF INVITED APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
155	83	50	\$40,334,698	\$12,069,419	\$1,828,468

*This program has common interests and so is reflected in both the Library Services and Museum Services budget tables.

Accelerating Promising Practices for Small Libraries*

NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
144	30	\$5,916,490	\$1,286,581	\$405,785

*A funding opportunity within the National Leadership Grants for Libraries program.

National Medal for Library Service*

NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
86	5	N/A	\$50,000	N/A

*Funded through the National Leadership Grants for Libraries program.

Native American and Native Hawaiian Library Service Programs*

PROGRAM	NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
Basic Grants (non-competitive)	188	188	\$1,960,416	\$1,960,416	\$0
Enhancement Grants	33	21	\$4,366,164	\$2,684,565	\$85,728
Native Hawaiian	3	3	\$418,019	\$418,019	\$76,554
Total	224	212	\$6,744,599	\$5,063,000	\$162,282

*Matching funds are not required for Basic Grants.

MUSEUM SERVICES

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

- encourage and support museums in carrying out their educational role, as core providers of learning and in conjunction with schools, families, and communities;
- encourage and support museums in carrying out their public service role of connecting the whole of society to the cultural, artistic, historical, natural, and scientific understandings that constitute our diverse heritage;
- encourage leadership, innovation, and applications of the most current technologies and practices to enhance museum services through international, national, regional, State, and local networks and partnerships;
- assist, encourage, and support museums in carrying out their stewardship responsibilities to achieve the highest standards in conservation and care of the diverse cultural, historic, natural, and scientific heritage of the United States to benefit future generations;
- assist, encourage, and support museums in achieving the highest standards of management and service to the public, and to ease the financial burden borne by museums as they serve their communities in new and different ways;
- support resource sharing and partnerships among museums, libraries, schools, and other community organizations;
- encourage and support museums as a part of economic development and revitalization in communities;
- ensure museums of various types and sizes in diverse geographic regions of the United States are afforded attention and support;

- support efforts at the State and regional levels to leverage museum resources and maximize museum services; and
- assist museums in their civic engagement efforts to ensure that every person in the United States has access to high-quality museum services.

IMLS also conducts a grant program 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).

Discretionary Grants

The Office of Museum Services offered six competitive funding opportunities in FY 2019:

- **Museums for America** supports activities that strengthen museums as active resources for lifelong learning, vital components of livable communities, and exemplary stewards of the nation's collections.
- **Inspire! Grants for Small Museums** is a special funding opportunity within the Museums for America program. It is designed to help small museums implement projects that address priorities identified in their strategic plans.
- **Museums Empowered** is a special funding opportunity within the Museums for America program that supports activities for professional development and capacity building in individual museums. The funding opportunity focuses on four areas of relevant needs in the museum field: Digital Technology, Diversity and Inclusion, Evaluation, and Organizational Management.
- **National Leadership Grants for Museums** support projects that address critical needs of the museum field and that have the potential to advance practice in the profession so museums can improve services for the American public. 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 under five project categories: Collections Care and Public Access; Data, Analysis, and Assessment; Digital Platforms and Applications; Diversity and Inclusion; and Professional Development.
- **Native American/Native Hawaiian Museum Services** grants to Indian tribes and organizations that primarily serve and represent Native Hawaiians enhance museum services to sustain heritage, culture, and knowledge through exhibitions, educational services and programming, professional development, and collections stewardship.
- **Museum Grants for African American History and Culture** support activities that build the capacity of African American museums and support the growth and development of museum professionals at African American museums.

Office of Museum Services Highlights

- The Office of Museum Services supported projects in 48 states and the District of Columbia through its discretionary grants, National Medals for Museum Service awards, and cooperative agreements. Applications to museum funding programs increased by 15 percent from 819 to 938.
- The Inspire! Grants for Small Museums program, designed to encourage small institutions to apply for IMLS funding, generated 202 applications in its first year. IMLS awarded 30 grants totaling \$1.1 million, representing 15 percent of the applicant and demonstrating a need for continued support for the nation's small museums.

- In order to align funding categories with evolving trends and needs of the museum sector, the agency revised its grant project categories across several funding programs. A significant number of applicants sought support for diversity and inclusion, professional development initiatives, data analysis, assessment, and evaluation.
- An interagency agreement with the U.S. Department of Education provided funding of \$1.9 million to IMLS in collaboration with New York Hall of Science. The funding will scale up work with eight museums across the country, sharing after-school STEM-based learning opportunities with up to 1,000 underserved students in 21st Century Community Learning Centers.
- IMLS launched three research and evaluation studies designed to better understand its investments, identify gaps and opportunities, and enhance its funding opportunities for the museum field: an evaluation of the Museum Grants for African American History and Culture program, now in its thirteenth year; a market analysis and opportunity assessment of museum capacity-building programs; and an analysis and synthesis of multi-year awarded grants.
- To increase education about IMLS funding opportunities in remote areas and states with low participation numbers, the agency offered six regional grant-writing workshops for museums across the nation. Nearly 200 potential applicants attended the full-day workshops, including many small institutions and those who had not previously applied to IMLS for funding.
- IMLS held convenings with grantees of the African American History and Culture program and the Native American and Native Hawaiian program. A total of 92 grantees from both programs attended the convenings respectively, shared their projects' progress, successes and challenges and learned from their peers.

Funding Snapshot

Total Grants for all Discretionary Programs				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
938	219	\$134,651,634	\$34,866,129	\$39,299,492

By Program

Museums for America				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
449	112	\$74,488,442	\$19,091,464	\$23,379,553

Inspire! Grants for Small Museums*				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
202	30	\$8,634,902	\$1,172,324	\$588,304

*A special funding opportunity within Museums for America. Matching funds are not required for this program.

Museums Empowered*				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
62	18	\$9,367,363	\$2,635,212	\$4,182,051

*A special funding opportunity within Museums for America.

National Leadership Grants for Museums				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
78	22	\$34,630,347	\$8,214,129	\$8,174,249

National Medals for Museum Service*				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH
81	5	N/A	\$50,000	N/A

*The National Medals for Museum Service are funded through National Leadership Grants for Museums.

Native American/Native Hawaiian Museum Services Program				
NUMBER OF APPLICATIONS	NUMBER OF AWARDS	FUNDS REQUESTED	FUNDS AWARDED	AWARDEE MATCH*
29	18	\$2,689,197	\$1,472,000	\$461,874

* 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 MATCH
37	14	\$4,841,383	\$2,231,000	\$2,513,461

Cross-agency Collaboration

Community Catalyst Initiative

Now in its third year, the flagship Community Catalyst Initiative challenges museums and libraries to transform how they collaborate with their communities towards improving wellbeing. It seeks to develop robust tools and approaches, expanding on those already in use by community development practitioners, in order to build capacity in libraries and museums. The multipronged initiative launched in 2016 after an initial scan that documented community engagement activities conducted by museums and libraries. A cross-sector "town hall" then gleaned deeper insights into capacity-building opportunities and needs expressed by representative museum and library attendees.

All components of this work seek to identify community assets that museums and libraries can leverage and combine with their own unique knowledge, information, and expertise to advance positive community change. The work includes: STEMeX (2016), Community Salute (2016), 2017 and 2018 competitive grant awards, and a 2019 study on social wellbeing.

Given a common, cross agency vision, this Initiative's efforts have been supported from several IMLS funding sources—the Offices of the Chief Information Officer, Library Services, and Museum Services.

The Community Catalyst grantees have benefitted from IMLS-funded capacity building and training in asset based community development, a methodology for sustainable, self-directed development of communities based on identifying the knowledge, skills, and resources of individuals, resident associations, neighborhoods, and organizations. The grantees have also received training in developmental evaluation which enables them to more easily chart the effects and progress of their work throughout the life of their funded projects. IMLS funded a cohort evaluation of the Community Catalyst Initiative to assess the effects of these capacity-building strategies on each grantee, its organization and its community partners.

In FY 2019, IMLS conducted in-depth workshops across five states that drew upon the knowledge

of museum and library leaders to deepen the outcomes of this initiative. These events helped to validate and refine a suite of tools and approaches that IMLS will share in FY 2020 to benefit the practitioners and researchers within museum and library fields more broadly.

Under the umbrella of the initiative, a National Study on Museums, Libraries, and Social Wellbeing was launched in August 2018 to gain a better understanding of the conditions under which museums and libraries contribute to their communities' wellbeing. This new study focuses on the essential roles museums and libraries play within their communities in order to help these institutions to identify opportunities for more clearly defining and assessing the impacts of their programs and services. The study will consider wellbeing across economic and social factors including personal health and educational attainment. The results of this study will serve as a baseline for additional research in this area.

National Medal for Museum and Library Service

The National Medal for Museum and Library Service is the nation's highest honor for institutions that make significant and exceptional contributions to their communities. Since 1994, IMLS has presented the award to institutions that demonstrate extraordinary and innovative approaches to community service.

In FY 2019, IMLS made 10 awards to five museums and five libraries for their outstanding service to their communities, presented at a ceremony in Washington, DC, in June. Funding for the program is shared between the Office of Museum Services and the Office of Library Services.

COOPERATIVE AGREEMENTS

The **Museum Assessment Program (MAP)** is a cooperative agreement with the American Alliance of Museums to help small and medium-sized museums assess their strengths and weaknesses in order to meet professional standards, grow and work towards sustainability. In 2019, a redesigned MAP program was launched, featuring five assessments with special focus to meet relevant needs of the museum in collections stewardship, community engagement, board leadership, education, and organizational capacity. Program improvements include an increase in the number of museums served each year; follow-up assistance for more participating museums; recruitment of new reviewers; and additional support, mentoring and resources. In FY 2019, 62 museums in 32 states participated in MAP.

Collections Assessment for Preservation (CAP) provides small and mid-sized museums with an assessment of the institution's collections, buildings, and building systems, as well as policies and procedures relating to collections care. CAP is administered by the Foundation for Advancement in Conservation with support from IMLS. In FY 2019, 79 museums from 35 states and territories participated in the CAP program.

Museums for Digital Learning enables museums of all sizes and disciplines to more broadly share digitized collections and other resources with K-12 schools across the country. In 2019, IMLS partnered with the Indianapolis Museum of Arts/Newfields, the Field Museum, History Colorado, and ten K-12 educators to initiate a multi-layered, iterative, and co-creative process to develop a user-centric platform and sample suite of digital educational resources. The platform and educational resources will be tested in the classrooms of the ten educators. Ten additional museums will validate the pilot platform and the products for ease of use and adaptability.

Museums for All, a collaboration with the Association of Children’s Museums, provides free or reduced admission to families with EBT and SNAP cards through participating museums. In FY 2019, the project made significant strides with the launch of a new website at www.museums4all.org and production of two testimonial videos—deliverables aimed to increase recruitment of additional museums and raise awareness of the benefit of museum visits to families. Museums from hub cities, where multiple museums are participating in the program, convened to share best practices and learnings. The project also exceeded its annual target goals in increasing both the number of visitors and participating museums. To date, the program is offered through 459 museums in 48 states, the District of Columbia, and the U.S. Virgin Islands, and has attracted over 2.2 million visitors.

Building a National Network of Museums and Libraries for School Readiness, an early learning collaboration with the Boston Children’s Museum, will build the professional capacity of museums, libraries, and early learning providers across six states. The scaled-up project will reach a broad professional audience with proven practices and strengthen essential partnerships. A third-party evaluation will assess the project’s successes and challenges.

A Market Analysis and Opportunity Assessment of Museum Capacity-Building Programs is exploring the full scope of capacity-building programs available to the museum field. In collaboration with an expert evaluator, IMLS will gather comprehensive information to identify needs for capacity building support, identify potential gaps in the suite of current capacity-building offerings, and identify new opportunities and areas for growth. A final report will include an analysis of the data collection, a prioritization of key findings, and recommendations for the museum field.

Measures that Matter is a collaboration with the Chief Officers of State Library Agencies (COSLA) to examine, evaluate, and map public library data collection practices in the United States. With additional funding in FY 2019, this cooperative agreement adds a new evaluation component that studies potential relationships between public library activities and community outcomes to better inform the public library sector. The evaluation will focus in on library activities relating to workforce development, a contributing factor to community wellbeing. It will help the public library sector use data or identify gaps in the ways that services, programs, and collections relate to communities’ needs and emergent opportunities.

Mentored Internships for Diversity is a collaboration with the American Library Association’s Public Library Association (PLA). Through an extension to an existing cooperative agreement, PLA will offer a fourth year of its Inclusive Internship Initiative. To date, PLA has used IMLS funds to provide 117 public libraries in 42 states with the opportunity to offer paid, mentored internships to 152 high school students from diverse backgrounds. The program is designed to introduce interns to careers in librarianship through a summer-long learning project, while also building the capacity of their mentor librarians and host libraries. Supplemental funds will expand this opportunity to 50 additional libraries and give PLA the opportunity to leverage data, experience, and field engagement generated over the three previous cohorts to explore program impacts, test multiple models of sustainability, and increase the reach of the program to more rural and tribal communities.

The National Student Poets Program (NSPP) is one of the nation’s highest honors for youth poets presenting original work. A collaboration with the Alliance for Young Artists & Writers, the program strives to inspire other young people to achieve excellence in their own creative endeavors and promote the essential role of writing and the arts in academic and personal success. The program links the

National Student Poets with audiences and neighborhood assets such as museums, libraries, and other community anchor institutions. NSPP builds upon the Alliance for Young Artists & Writers' long-standing work with educators and creative teens through the Scholastic Art & Writing Awards. In 2019 the Poets' appointment week events featured over 20 alumni from the program's past seven years.

StoryCorps, a national non-profit organization dedicated to recording and sharing the stories of Americans from all backgrounds, was engaged to capture testimonials from the 2018 and 2019 National Medal winners. The StoryCorps team visited ten museum and libraries across the nation and conducted interviews with staff and community members about the transformative work with and the impact of these institutions in their communities. These stories are meant to inspire other museums and libraries to reimagine their roles as community anchors and catalysts.

Evaluation cooperative agreements will strengthen work related to the Accelerating Promising Practices for Small Libraries program. Three mentor organizations will work with cohorts of grantees to develop communities of practice and provide training, coaching, and other support. These organizations include Wisconsin Library Services for the Community Memory cohort, Kansas City Public Library for the Digital Inclusion cohort, and OCLC for the Transforming School Library Practice cohort. A fourth cooperative agreement with an external evaluator will provide an assessment of the entire grant program. The evaluation will help IMLS and the library field better understand the efficacy of various capacity-building methods to help libraries and archives to address issues important to their communities.

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). Recognizing the role of museums and libraries as anchor institutions, the Act directs the agency to coordinate and work jointly with other Federal departments and agencies on:

- initiatives, materials, technology, or research to support education, workforce development, economic and business development, and related activities and services undertaken by libraries;
- resource and policy approaches to eliminate barriers to fully leveraging the role of libraries and museums in supporting the early learning, literacy, lifelong learning, digital literacy, workforce development, and education needs of the people of the United States; and
- initiatives, materials, technology, or research to support educational, cultural, historical, scientific, environmental, and other activities undertaken by museums.

Preservation of National Collections

IMLS partnered 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 2019, the program awarded 41 grants in 23 states, totaling \$12.6 million. IMLS will manage 13 of the awards that support collections preservation, totaling \$2,476,575.

Maker/STEM Education

In partnership and with financial support from the **U.S. Department of Education**, IMLS helped the New York Hall of Science expand the scope and scale of **Maker/STEM Education Support for 21st Century Community Learning Centers**. Museum educators from eight museums and science centers in New York, Pennsylvania, Oregon, Florida, Wisconsin, Arkansas, Texas, and Arizona will train staff at afterschool centers to engage up to 1,000 underserved elementary and middle school students in STEM-based making activities. A third-party evaluator will assess the outcomes of the project, including changes in interest, skills, and behaviors related to STEM and making among youth participants. Serving New Americans

Serving New Americans

A memorandum of understanding between IMLS and the **U.S. Citizenship and Immigration Services** supports cross-cultural understanding and learning opportunities by sharing information with libraries and museums on citizenship rights and responsibilities through webinars and other opportunities and materials.

National Book Festival

Through support to the **Library of Congress**, as well as through a cooperative agreement with the Chief Officers of State Library Agencies, IMLS, along with the National Endowment for the Humanities, funded the National Book Festival's Parade of the States. Representatives from state libraries and Centers for the Book across the country interact with festival attendees of all ages, providing information on each state's literary heritage, its local libraries, local authors and reading, and careers and opportunities in library and information science. The Parade of the States is one of the most highly attended activities at the National Book Festival, with a diverse audience of families, teachers, and students who identify with states across the U.S. This year, the Parade of States stage also featured presenters from IMLS-funded projects related to accessible story times, library interns from diverse backgrounds, and state libraries.

Digital Humanities Advancement Grants

Through a partnership with the **National Endowment for the Humanities (NEH)**, IMLS supports Digital Humanities Advancement Grants, an NEH program that enhances scholarly research, teaching, and public programming in the humanities. IMLS funding to this program encourages innovative collaborations between library and archival professionals, humanities professionals, and relevant communities to empower learning, foster civic cohesion, and strengthen knowledge networks. These collaborations advance preservation of, access to, use of, and engagement with digital humanities collections and services that enrich individuals' understanding of the world, support critical and creative thinking, and inform decision-making.

POLICY RESEARCH, ANALYSIS, DATA COLLECTION, AND DISSEMINATION

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). The Act identifies the following objectives:

- To enhance and expand the capacity of museums, libraries, and information services to anticipate, respond to, and meet the evolving needs of communities and the public, including by identifying trends and developments that may impact the need for and delivery of services.
- To provide information and data on the role, value, and impact of museum, library, and information resources, including the identification of trends and the potential gaps in the availability and use of museum and library services by their communities and the public.
- To measure the effectiveness of museums, libraries, and information services throughout the United States, including the impact of Federal programs authorized under the Act.

- To identify indicators and outcomes that can be used to create enhancements to the efficiency and efficacy of museum, library, and information services.
- To promote advancement and growth in museum, library, and information services through sharing of best practices and effective strategies in order to better serve the people of the United States.
- To facilitate planning for, and building of, institutional capacity in order to improve museum, library, and information services at the national, State, local, and regional levels; and international communications and cooperative networks.

In carrying out these objectives, IMLS engages with the State Library Administrative Agencies, 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. These efforts identify trends, important comparisons, and enable objective policymaking at the national and state levels. The primary data products maintained by IMLS are the Public Libraries Survey and the State Library Administrative Agency Survey.

- **The Public Libraries Survey (PLS)** has been conducted annually since 1988 and is a definitive source on the state of public libraries in the United States. PLS data provides key information on over 9,000 public library systems and 17,000 public library outlets nationwide.

Over the past year, IMLS enhanced the PLS by continuing improvements for its data collection and data utilization practices. These include three commissioned research studies that explored methodological discussions around sampling and survey item development within the federal context. They also involved development of a new Library Search and

Compare Tool, which helps users explore funding, staffing, and other information about public libraries across the U.S.

- **The State Library Administrative Agency (SLAA) Survey** has been collected annually since 1994 and biennially after 2010. The SLAA survey is a definitive source on the state of state library agencies in the United States and provides key information on the state library agencies in all 50 states and the District of Columbia. These collected data may be used by policymakers in the executive and legislative branches of federal and state governments; government and library administrators at the federal, state, and local levels; the Chief Officers of State Library Agencies (COSLA); members of professional library associations; library and public policy researchers, journalists, and others in the public.
- In 2019, IMLS released **Protecting America's Collections**, a report based on the Heritage Health Information Survey of the nation's approximate 31,000 collecting institutions. Following up on a 2004 study, this investigation provides critical insights into how institutions that hold the national heritage in trust progressed over ten years in the level of care they provide to invaluable items.
- **Evaluation of the African American History and Culture Grant Program:** The Museum Grants for African American History and Culture program (AAHC program) builds the capacity of African American museums and supports the growth and development of museum professionals at African American museums. The first AAHC grants were awarded in 2006, and since that time, IMLS has awarded 179 grants totaling \$17,551,735 of federal funds and \$20,861,925 in matching funds. In 2019, IMLS launched a retrospective evaluation of this grant program with the goal of learning how IMLS funding has thus far impacted the sector, as well as identifying gaps and opportunities that can be addressed to further improve the program outreach and impact.

- **Analysis and Synthesis of Internal Scans of Office of Museum Services' awarded grants:** Adopting a more data-based decision-making strategy, a new data analysis effort was launched in 2019 to organize and synthesize multi-year awarded grant information and completed reports in the Office of Museum Services. The awarded grants hold important

quantitative and qualitative data that can shed critical insights for IMLS and the sector on the short and long term impacts the projects are making in the communities, resulting products and best practices from the projects that can be shared broadly as well as gaps and challenges that still need to be addressed.

D. BRIEF ANALYSIS OF FINANCIAL STATEMENTS

Underlying the agency's many programmatic achievements is its commitment to organizational excellence and sound financial management. IMLS has a fiduciary and stewardship responsibility to manage its federal funds effectively and efficiently and comply with federal 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 2019 financial statements and accompanying notes are presented in accordance with OMB Circular A-136, Financial Reporting Requirements, and are shown in comparative formats.

To ensure the integrity and reliability of the annual financial statements, IMLS subjects them to an annual independent audit. Figure 1 below summarizes the IMLS financial position in FY 2019.

Figure 1: IMLS FY 2019 Financial Position (\$ in millions)

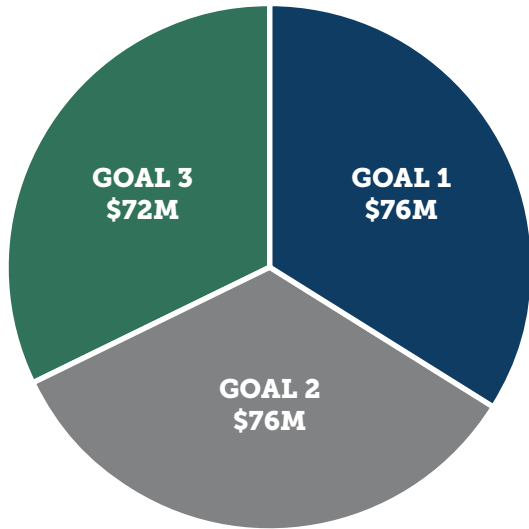
Net Financial Condition	FY 2019 (\$)	FY 2018 (\$)	Increase/Decrease (\$)	Change (%)
ASSETS	314.7	302.3	12.4	4.1
LIABILITIES	37	31.9	5.1	16
NET POSITION	277.7	270.4	7.3	2.6
NET COST	232	227.8	4.2	1.8

IMLS received increased appropriations in the last two fiscal years resulting in additional awards and an increase to the fund balance with Treasury in the Assets line and an increase in the unexpended appropriations amount in the Net Position line. The grant awards made with the additional funding will incur expenses over multiple years. The expenses incurred in FY 2019 resulted in an increase to both the grant accrual in the Liabilities line and the gross costs on the Statement of Net Cost.

Figure 2 below summarizes the FY 2019 grant award obligations by Strategic Goal.

Figure 2: FY 2019 Grant Obligations

FY 2019 Grant Awards issued by Strategic Goal (\$ in millions)



Goal 1: Promote Lifelong Learning

Goal 2: Build Capacity

Goal 3: Increase Public Access

STEWARDSHIP INVESTMENTS

IMLS investments in research and development yield long-term benefits to the public.

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 Generally Accepted Accounting Principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget (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. Government.

E. MANAGEMENT ASSURANCES

OVERALL INTERNAL CONTROL

IMLS recognizes the importance of establishing and maintaining adequate controls over its programs and administrative functions. Management continues to evaluate and modify existing controls—and establish new ones as appropriate—to ensure accountability of federal funds and resources. IMLS also recognizes technology can enhance effectiveness and efficiency and ensure an adequate degree of internal control and compliance with applicable laws and regulations.

Consistent with operating procedures and pursuant to the Federal Managers' Financial Integrity Act of 1982, the Chief Financial Officer requested each office head to conduct an internal review of their activities to identify possible deficiencies in management controls. IMLS senior executives closely reviewed these plans and provided written statements of their findings. The results are reported here, within the agency's FY 2019 Performance and Accountability Report, consistent with the provisions of the Reports Consolidation Act of 2000. Based on the review process described above, IMLS provides the following assurances:

IMLS management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). IMLS conducted its assessment of the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control and Enterprise Risk Management. Based on the results of this evaluation, IMLS can provide reasonable assurance that our internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2019 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

INTERNAL CONTROL OVER FINANCIAL REPORTING

IMLS conducted an assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of OMB Circulars A-123, Management's Responsibility for Internal Control and Enterprise Risk Management, and A-136, Financial Reporting Requirements. Based on the results of this evaluation and the audit report on our financial statements, IMLS can provide reasonable assurance that its internal control over financial reporting as of September 30, 2019 was operating effectively and that no material weaknesses were found in the design or operation of the internal control over financial reporting.

Respectfully submitted,

Kathryn K. Matthew

Dr. Kathryn K. Matthew

Director, Institute of Museum and Library Services

SECTION 2

Financial Information

THE AUDITOR'S REPORT

Institute of Museum and Library Services

Audit of Financial Statements

**As of and for the Years Ended
September 30, 2019 and 2018**

Submitted By

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



**LEON SNEAD
& COMPANY, P.C.**

*Certified Public Accountants
& Management Consultants*

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Independent Auditor's Report

Dr. Kathryn K. Matthew, Director
Institute of Museum and Library Services

We have audited the accompanying balance sheets of the Institute of Museum and Library Services (IMLS), as of September 30, 2019 and 2018, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended. The objective of our audit was to express an opinion on the fair presentation of those financial statements. In connection with our audit, we also considered the IMLS' internal control over financial reporting, and tested the IMLS' compliance with certain provisions of applicable laws, regulations, contracts and grant agreements that could have a direct and material effect on its financial statements.

SUMMARY

As stated in our opinion on the financial statements, we found that the IMLS' financial statements as of and for the years ended September 30, 2019 and 2018, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

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

Our tests of compliance with certain provisions of laws, regulations, and significant provisions of contracts and grant agreements disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards* and the Office of Management and Budget (OMB) Bulletin 19-03, *Audit Requirements for Federal Financial Statements* (the OMB audit bulletin).

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of IMLS, which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

Opinion on Financial Statement

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IMLS as of September 30, 2019 and 2018, and the related net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. Such responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and pertinent provisions of OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements* (the OMB audit bulletin). Those standards and the OMB audit bulletin require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments in a Federal agency, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of the IMLS' internal control or its compliance with applicable laws, regulations, and significant provisions of contracts and grant agreements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

REQUIRED SUPPLEMENTARY INFORMATION AND REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

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

OTHER ACCOMPANYING INFORMATION

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

OTHER AUDITOR REPORTING REQUIREMENTS

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of IMLS as of and for the years ended September 30, 2019 and 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the IMLS' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IMLS' internal control. Accordingly, we do not express an opinion on the effectiveness of the IMLS' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control

that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

In connection with our audit, nothing came to our attention that caused us to believe that IMLS failed to comply with applicable laws, regulations, or significant provisions of contracts and grant agreements that have a material effect on the financial statements insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the IMLS' noncompliance with applicable laws, regulations, or significant provisions of contracts and grant agreements insofar as they relate to accounting matters.

Restricted Use Relating to Reports on Internal Control and Compliance

The purpose of the communication included in the sections identified as "Report on Internal Control" and "Report on Compliance" is solely to describe the scope of our testing of internal control over financial reporting and compliance, and to describe any material weaknesses, significant deficiencies, or instances of noncompliance we noted as a result of that testing. Our objective was not to provide an opinion on the design or effectiveness of the IMLS' internal control over financial reporting or its compliance with

laws, regulations, contracts or grant agreements. The two sections of the report referred to above are integral parts of an audit performed in accordance with *Government Auditing Standards* in considering the IMLS' internal control over financial reporting and compliance. Accordingly, those sections of the report are not suitable for any other purpose.

Agency's Response

The management of IMLS concurred with the facts and conclusions in our report. A copy of management's response accompanies this report.

Leon Snead & Company, P.C.

Rockville, MD

November 14, 2019



Connecting People to Information and Ideas

November 14, 2019

Ms. Sue Chen
Audit Manager
Leon Snead & Company
416 Hungerford Drive, Ste 400
Rockville, MD 20850

Dear Ms. Chen,

Thank you for managing the audit of the Institute of Museum and Library Services' fiscal year 2019 financial statements.

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

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

Yours truly,

Dr. Kathryn K. Matthew
Director

Cc: Chris Catignani, Chief Financial Officer

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
BALANCE SHEET
As of September 30, 2019 and 2018
(in dollars)

Assets:	<u>2019</u>	<u>2018</u>
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 309,053,663	\$ 298,217,412
Accounts Receivable	-	-
Advances From Federal Sources (Note 4)	163,073	4,194
Total intragovernmental	<u>309,216,736</u>	<u>298,221,606</u>
General property, plant and equipment, net (Note 3)	873,128	1,109,985
Other - Grant Advances (Note 4)	4,570,373	2,988,568
Total assets	<u>\$ 314,660,237</u>	<u>\$ 302,320,159</u>
Liabilities:		
Intragovernmental:		
Accounts Payable	\$ 620	\$ 2,172
Other (Note 6)	5,996,114	2,777,096
Total intragovernmental	<u>5,996,734</u>	<u>2,779,268</u>
Accounts payable	228,767	220,039
Other (Note 6)	824,705	850,891
Other - Grant Accrual (Note 6)	29,925,632	28,052,477
Total liabilities	<u>36,975,838</u>	<u>31,902,675</u>
Commitments and contingencies	-	-
Net position:		
Unexpended appropriations - All Other Funds	\$ 278,188,207	\$ 270,814,839
Cumulative results of operations - Funds from Dedicated Collections (Note 8)	75,272	88,694
Cumulative results of operations - All Other Funds	(579,080)	(486,049)
Total Net Position - Funds from Dedicated Collections (Note 8)	<u>75,272</u>	<u>88,694</u>
Total Net Position - All Other Funds	277,609,127	270,328,790
Total Net Position	<u>277,684,399</u>	<u>270,417,484</u>
Total liabilities and net position	<u>\$ 314,660,237</u>	<u>\$ 302,320,159</u>

The accompanying notes are an integral part of these statements

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
STATEMENT OF CHANGES IN NET POSITION
For the Years Ended September 30, 2019 and 2018
(in dollars)

	2019			2018		
	Funds from Dedicated Collections (Combined (note 8))	All Other Funds	Consolidated Total	Funds from Dedicated Collections (Combined (note 8))	All Other Funds	Consolidated Total
Unexpended Appropriations:						
Beginning Balance	\$ -	\$ 270,814,839	\$ 270,814,839	\$ -	\$ 258,809,676	\$ 258,809,676
Adjustments:						
Changes in accounting principles	-	-	-	-	-	-
Corrections of errors	-	-	-	-	-	-
Beginning Balance, as adjusted	-	270,814,839	270,814,839	-	258,809,676	258,809,676
Budgetary Financing Sources:						
Appropriations Received	-	242,000,000	242,000,000	-	240,000,000	240,000,000
Appropriations Transferred in/out	-	-	-	-	-	-
Other Adjustments	-	(3,188,482)	(3,188,482)	-	(1,833,316)	(1,833,316)
Appropriations Used	-	(231,438,150)	(231,438,150)	-	(226,161,521)	(226,161,521)
Total Budgetary Financing Sources	-	7,373,368	7,373,368	-	12,005,163	12,005,163
Total Unexpended Appropriations	-	278,188,207	278,188,207	-	270,814,839	270,814,839
Cumulative Results From Operations:						
Beginning Balances	88,694	(486,049)	(397,355)	75,307	605,128	680,435
Adjustments:						
Changes in Accounting Principles	-	-	-	-	-	-
Corrections of Errors	-	-	-	-	-	-
Beginning Balance, As Adjusted	88,694	(486,049)	(397,355)	75,307	605,128	680,435
Budgetary Financing Sources:						
Other Adjustments	-	-	-	-	-	-
Appropriations Used	-	231,438,150	231,438,150	-	226,161,521	226,161,521
Nonexchange Revenue	-	-	-	-	-	-
Donations and Forfeitures of Cash and Cash Equivalents	3,212	-	3,212	15,161	-	15,161
Transfers In/Out Without Reimbursement	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other Financing Sources (Nonexchange):						
Donations and Forfeitures of Property	-	-	-	-	-	-
Transfers In/Out Without Reimbursement	-	-	-	-	-	-
Imputed Financing	-	501,273	501,273	-	507,468	507,468
Other	-	-	-	-	-	-
Total Financing Sources	3,212	231,939,423	231,942,635	15,161	226,668,989	226,684,150
Net Cost of Operations	16,634	232,032,454	232,049,088	1,774	227,760,167	227,761,941
Net Change	(13,422)	(93,031)	(106,453)	13,387	(1,091,178)	(1,077,791)
Cumulative Results of Operations	75,272	(579,080)	(503,808)	88,694	(486,049)	(397,355)
Net Position	\$ 75,272	\$ 277,609,127	\$ 277,684,399	\$ 88,694	\$ 270,328,790	\$ 270,417,484

The accompanying notes are an integral part of these statements

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
STATEMENT OF NET COST
For the Years Ended September 30, 2019 and 2018
(in dollars)

Program costs:	<u>2019</u>	<u>2018</u>
Goal 1: Promote Lifelong Learning		
Gross costs	\$ 70,966,994	\$ 70,549,130
Less: Earned revenue	<u>766,100</u>	<u>346,039</u>
Net Program Costs	<u>70,200,894</u>	<u>70,203,091</u>
Goal 2: Build Capacity		
Gross costs	\$ 70,996,480	\$ 68,583,935
Less: Earned revenue	<u>-</u>	<u>-</u>
Net Program Costs	<u>70,996,480</u>	<u>68,583,935</u>
Goal 3: Increase Public Access		
Gross costs	\$ 74,630,591	\$ 73,716,865
Less: Earned revenue	<u>221,580</u>	<u>-</u>
Net Program Costs	<u>74,409,011</u>	<u>73,716,865</u>
Goal 4: Achieve Excellence		
Gross costs	\$ 16,477,650	\$ 15,283,494
Less: Earned revenue	<u>34,947</u>	<u>25,144</u>
Net Program Costs	<u>16,442,703</u>	<u>15,258,050</u>
Net Cost of Operations (Note 9)	<u>\$ 232,049,088</u>	<u>\$ 227,761,941</u>

The accompanying notes are an integral part of these statements

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2019 and 2018
(in dollars)

	<u>2019</u>	<u>2018</u>
	<u>Budgetary</u>	<u>Budgetary</u>
Budgetary Resources:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 4,738,312	\$ 6,752,408
Appropriations (discretionary and mandatory)	242,003,212	240,015,161
Borrowing authority (discretionary and mandatory)	-	-
Contract authority (discretionary and mandatory)	-	-
Spending authority from offsetting collections (discretionary and mandatory)	4,441,395	1,660,217
Total Budgetary Resources	<u>\$ 251,182,919</u>	<u>\$ 248,427,786</u>
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	\$ 246,362,268	\$ 242,665,810
Unobligated balance, end of year:		
Apportioned unexpired accounts	1,190,966	855,061
Exempt from apportionment unexpired accounts	72,869	70,894
Unapportioned unexpired accounts	<u>277,870</u>	<u>560,668</u>
Unexpired unobligated balance, end of year	1,541,705	1,486,623
Expired unobligated balance, end of year	3,278,946	4,275,353
Unobligated balance, end of year (total)	<u>4,820,651</u>	<u>5,761,976</u>
Total Budgetary Resources	<u>\$ 251,182,919</u>	<u>\$ 248,427,786</u>
Outlays, net:		
Outlays, net (total) (discretionary and mandatory)	\$ 227,978,479	\$ 223,125,036
Distributed offsetting receipts (-)	<u>(3,212)</u>	<u>(15,161)</u>
Agency outlays, net (discretionary and mandatory)	<u>\$ 227,975,267</u>	<u>\$ 223,109,875</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(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. IMLS has no balances from transactions with disclosure entities.

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.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

D. Basis of Accounting

Transactions are recorded on an accrual accounting basis and budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.

E. Fund Balance with Treasury and Cash

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

F. Accounts Receivable

The agency reports an accounts receivable balance when amounts for revenue and expenses related to reimbursable agreements are accrued for reporting purposes.

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. Revenues and Other Financing Sources

IMLS receives funding through annual Congressional appropriations from the budget of the United States. In addition, IMLS was granted the authority to accept donations and to invest in interest-bearing accounts. These donations, 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.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

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:

<u>Asset Class</u>	<u>Useful Life</u>
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. No liability can be paid, however, absent an appropriation, or in some cases donated funds. Liabilities for which an appropriation has not been enacted are classified as not covered by budgetary resources, because there is no absolute certainty that the appropriation will be enacted. Also, liabilities can be abrogated by the Government acting in its sovereign capacity.

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.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

N. Retirement Plans

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

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

O. Imputed Benefit Costs

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

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.

The grant accrual amount is computed using the straight line method. The average monthly expenditure is calculated by dividing the available grant balance by the remaining months based on the grant end date, except for the Library Services Technology Act Grants to States program. The Grants to States (GTS) accrual estimate is based on IMLS performing a data call to each State Library Agency to obtain their accrual estimates for the reporting period for all open grants. The Grants to States program alone represents over 71% of IMLS program funds and from a cost/benefit perspective is the only program that can employ the data call approach because of the lower volume of grants.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

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 of Accounting Principle

The accounting principles have changed for the following items:

- Note 1.T. - Classified Activities has been added per guidance from SFFAS 56.
- The prior year Note 11 - Apportionment Categories of New Obligations and Upward Adjustments is no longer being presented due to guidance from A-136 II.3.5.6, which states this note is now optional.
- Note 11 - Inter-Entity Costs has been added due to guidance from SFFAS 4, 113A.
- The prior year Note 15 - Reconciliation of Net Cost of Operations to Budget has been replaced by Note 16 - Reconciliation of Net Cost to Net Outlays due to guidance from SFFAS 53, page 1.
- The Net Adjustments to Unobligated Balance Brought Forward, Oct 1 line and the related Treasury Financial Manual disclosure has been removed from the Statement of Budgetary Resources per guidance from A-136 II.3.5.4.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

Note 2 Fund Balance with Treasury

	2019
Status of Fund Balance with Treasury:	
Unobligated Balance	
Available	\$ 1,263,835
Unavailable- No Year / Admin	-
Unavailable- No Year / Program	277,870
Unavailable- Annual Funds	3,278,946
Unavailable- Miscellaneous Receipts	-
Obligated Balance Not Yet Disbursed	<u>304,233,012</u>
Total	<u>\$ 309,053,663</u>
Status of Fund Balance with Treasury:	
Unobligated Balance	
Available	\$ 925,955
Unavailable- No Year / Admin	110,783
Unavailable- No Year / Program	449,885
Unavailable- Annual Funds	4,275,353
Unavailable- Miscellaneous Receipts	-
Obligated Balance Not Yet Disbursed	<u>292,455,436</u>
Total	<u>\$ 298,217,412</u>

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

As of September 30, 2019 and 2018

(in Dollars)

Audited

Note 3 General Property, Plant & Equipment

Major Class	2019		
	Acquisition Value	Accumulated Amortization	Net Book Value
Leasehold Improvements	\$ 888,936	\$ 318,535	\$ 570,401
IT Equipment	415,574	415,574	-
Office Furniture and Equipment	620,902	318,175	302,727
Total PP&E	<u>\$ 1,925,412</u>	<u>\$ 1,052,284</u>	<u>\$ 873,128</u>

Major Class	2018		
	Acquisition Value	Accumulated Amortization	Net Book Value
Leasehold Improvements	\$ 888,936	\$ 229,642	\$ 659,294
IT Equipment	425,347	366,174	59,173
Office Furniture and Equipment	620,902	229,384	391,518
Total PP&E	<u>\$ 1,935,185</u>	<u>\$ 825,200</u>	<u>\$ 1,109,985</u>

The leasehold improvements which were recorded in FY 2016 represent capitalized costs incurred as part of entering into new Reimbursable Work Agreements (RWA) with GSA and are being amortized on a straight-line basis over the life of the 10 year occupancy agreement at 955 L'Enfant Plaza. Both the IT Equipment line and the Office Furniture and Equipment line include the capitalized costs of acquisitions required to complete the relocation into the new space. These items are being depreciated in accordance with the agency's policy.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
As of September 30, 2019 and 2018
(in Dollars)
Audited

Note 4 Other Assets

	<u>2019</u>	<u>2018</u>
Intragovernmental Advances	\$ 163,073	\$ 4,194
Grant Advances	<u>4,570,373</u>	<u>2,988,568</u>
Total Other Assets	<u>\$ 4,733,446</u>	<u>\$ 2,992,762</u>

The intragovernmental advances balance consists of an advance to the Enterprise Service Center for services to implement a procurement and acquisition system that is integrated with the financial service systems.

The grant advances with the public consist of payments made to grantees. 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 (SF-270) within 30 days of receipt. The amount in the Grant Advances line item represents the total amount of unliquidated advances requested and paid to grantees as of the quarter ended September 30, 2019. Significant differences in year to year comparisons can occur depending on fluctuations in the amount of advance requests by grantees in the GTS program at the end of a period.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

Note 5 Liabilities Not Covered by Budgetary Resources

	2019
Intragovernmental:	
Deferred rent expense	\$ 891,158
Other unfunded employment	34,332
Total intragovernmental	<u>925,490</u>
Accounts payable	-
Accrued unfunded leave	526,718
Misc. Receipts Payable to Treasury	-
Total liabilities not covered by budgetary resources	<u>1,452,208</u>
Total liabilities covered by budgetary resources	35,523,630
Total liabilities not requiring budgetary resources	-
Total liabilities	<u><u>\$ 36,975,838</u></u>
	2018
Intragovernmental:	
Deferred rent expense	\$ 1,028,259
Other unfunded employment	29,273
Total intragovernmental	<u>1,057,532</u>
Accounts payable	-
Accrued unfunded leave	538,502
Misc. Receipts Payable to Treasury	-
Total liabilities not covered by budgetary resources	<u>1,596,034</u>
Total liabilities covered by budgetary resources	30,306,641
Total liabilities not requiring budgetary resources	-
Total liabilities	<u><u>\$ 31,902,675</u></u>

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

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

Note 6 Other Liabilities

	2019		
	Non-Current	Current	Total
Intragovernmental:			
Deferred Rent Expense	\$ 754,057	\$ 137,101	\$ 891,158
Liability for Prepayments	-	4,995,822	4,995,822
Employer Contrib. & PR Tax	-	109,134	109,134
Unbilled Assets	-	-	-
Misc Receipts Due to Treasury	-	-	-
Total Intragovernmental	\$ 754,057	\$ 5,242,057	\$ 5,996,114
Public:			
Accrued Pay and Benefits	\$ -	\$ 812,936	\$ 812,936
Employer Contrib. & PR Tax	-	11,769	11,769
Grant Accrual	-	29,925,632	29,925,632
Total Public	\$ -	\$ 30,750,337	\$ 30,750,337
Total Other Liabilities	\$ 754,057	\$ 35,992,394	\$ 36,746,451
	2018		
	Non-Current	Current	Total
Intragovernmental:			
Deferred Rent Expense	\$ 891,158	\$ 137,101	\$ 1,028,259
Liability for Prepayments	-	1,635,073	1,635,073
Employer Contrib. & PR Tax	-	103,991	103,991
Unbilled Assets	-	9,773	9,773
Misc Receipts Due to Treasury	-	-	-
Total Intragovernmental	\$ 891,158	\$ 1,885,938	\$ 2,777,096
Public:			
Accrued Pay and Benefits	\$ -	\$ 838,663	\$ 838,663
Employer Contrib. & PR Tax	-	12,228	12,228
Grant Accrual	-	28,052,477	28,052,477
Total Public	\$ -	\$ 28,903,368	\$ 28,903,368
Total Other Liabilities	\$ 891,158	\$ 30,789,306	\$ 31,680,464

The deferred rent expense represents the unamortized portion of the liability the agency accrued as part of a rent abatement period included in the occupancy agreement (OA) signed with GSA in March of 2016. The liability is being amortized on a straight-line basis over the life of the OA. The increase in the liability for prepayments from FY 2018 to FY 2019 was primarily driven by reimbursable agreements with the National Park Service and with the Department of Education. Increases in overall program funding including reimbursable agreements were the primary elements of the increase in the grant accrual.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

Note 7 Lease

The agency entered a 10-year occupancy agreement with GSA to occupy 27,714 square feet of office space at 955 L'Enfant Plaza, SW in the District of Columbia, and the agency relocated into the space in March of 2016. This occupancy agreement is cancellable, has a rent abatement clause through the first 12 months, and includes a tenant improvement allowance of approximately \$1.1M which covered improvements for occupancy by the agency. The probability of the agency terminating the occupancy agreement is remote, therefore no liability has been recorded for the unamortized tenant improvement allowance. The billing of the rental rate of approximately \$103,000 monthly is recorded along with any necessary inflationary adjustments.

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

As of September 30, 2019 and 2018

(in Dollars)

Audited

Note 8 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.

	<u>2019</u>	<u>2018</u>
Balance Sheet as of September 30		
ASSETS		
Fund balance with Treasury	\$ 75,272	\$ 88,694
Investment	-	-
Other Assets	-	-
Total Assets	<u>\$ 75,272</u>	<u>\$ 88,694</u>
LIABILITIES and NET POSITION		
Other Liabilities	\$ -	\$ -
Cumulative Results of Operations	<u>75,272</u>	<u>88,694</u>
Total Liabilities and Net Position	<u>\$ 75,272</u>	<u>\$ 88,694</u>
Statement of Net Cost for the Period Ended September 30		
Program Costs	\$ (16,634)	\$ (1,774)
Less: Resources	<u>3,212</u>	<u>15,161</u>
Excess of Donations Received Over Cost Incurred	<u>\$ (13,422)</u>	<u>\$ 13,387</u>
Statement of Changes in Net Position for the Period Ended September 30		
Net Position Beginning of Period	\$ 88,694	\$ 75,307
Change in Net Position	<u>(13,422)</u>	<u>13,387</u>
Net Position End of Period	<u>\$ 75,272</u>	<u>\$ 88,694</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

Note 9 Suborganization Program Costs/Program Costs by Segment

Program Costs:	2019				
	Library State Grants	Library Other Grants	Museum Grants	Administrative	Total
Goal 1: Promote Lifelong Learning					
Gross Costs	\$ 52,887,931	\$ 8,716,917	\$ 9,199,662	\$ 162,484	\$ 70,966,994
Less: Earned Revenue	-	-	766,100	-	766,100
Net Program Costs	<u>\$ 52,887,931</u>	<u>\$ 8,716,917</u>	<u>\$ 8,433,562</u>	<u>\$ 162,484</u>	<u>\$ 70,200,894</u>
Goal 2: Build Capacity					
Gross Costs	\$ 52,887,931	\$ 10,801,282	\$ 7,163,265	\$ 144,002	\$ 70,996,480
Less: Earned Revenue	-	-	-	-	-
Net Program Costs	<u>\$ 52,887,931</u>	<u>\$ 10,801,282</u>	<u>\$ 7,163,265</u>	<u>\$ 144,002</u>	<u>\$ 70,996,480</u>
Goal 3: Increase Public Access					
Gross Costs	\$ 54,490,595	\$ 7,765,507	\$ 12,179,699	\$ 194,790	\$ 74,630,591
Less: Earned Revenue	-	-	221,580	-	221,580
Net Program Costs	<u>\$ 54,490,595</u>	<u>\$ 7,765,507</u>	<u>\$ 11,958,119</u>	<u>\$ 194,790</u>	<u>\$ 74,409,011</u>
Goal 4: Achieve Excellence					
Gross Costs	\$ -	\$ -	\$ -	\$ 16,477,650	\$ 16,477,650
Less: Earned Revenue	-	-	-	34,947	34,947
Net Program Costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,442,703</u>	<u>\$ 16,442,703</u>
Net Cost of Operations	<u>\$ 160,266,457</u>	<u>\$ 27,283,706</u>	<u>\$ 27,554,946</u>	<u>\$ 16,943,979</u>	<u>\$ 232,049,088</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

2018

	Library State Grants	Library Other Grants	Museum Grants	Administrative	Total
Goal 1: Supporting lifelong learning					
Gross Costs	\$ 52,221,271	\$ 8,338,092	\$ 9,289,087	\$ 700,680	\$ 70,549,130
Less: Earned Revenue	-	105,417	240,622	-	346,039
Net Program Costs	<u>\$ 52,221,271</u>	<u>\$ 8,232,675</u>	<u>\$ 9,048,465</u>	<u>\$ 700,680</u>	<u>\$ 70,203,091</u>
Goal 2: Promoting museums and libraries as strong community anchors					
Gross Costs	\$ 52,221,271	\$ 8,376,721	\$ 7,219,363	\$ 766,580	\$ 68,583,935
Less: Earned Revenue	-	-	-	-	-
Net Program Costs	<u>\$ 52,221,271</u>	<u>\$ 8,376,721</u>	<u>\$ 7,219,363</u>	<u>\$ 766,580</u>	<u>\$ 68,583,935</u>
Goal 3: Supporting exemplary stewardship of museum and library collections					
Gross Costs	\$ 53,803,733	\$ 7,804,133	\$ 11,346,556	\$ 762,443	\$ 73,716,865
Less: Earned Revenue	-	-	-	-	-
Net Program Costs	<u>\$ 53,803,733</u>	<u>\$ 7,804,133</u>	<u>\$ 11,346,556</u>	<u>\$ 762,443</u>	<u>\$ 73,716,865</u>
Goal 4: Sustaining and increasing public access to information and ideas					
Gross Costs	\$ -	\$ -	\$ -	\$ 15,283,194	\$ 15,283,194
Less: Earned Revenue	-	-	-	25,144	25,144
Net Program Costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,258,050</u>	<u>\$ 15,258,050</u>
Net Cost of Operations	<u>\$ 158,246,275</u>	<u>\$ 24,413,529</u>	<u>\$ 27,614,384</u>	<u>\$ 17,487,753</u>	<u>\$ 227,761,941</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

Note 10 Exchange Revenues

Exchange Revenue in the amount of \$1,022,627 and \$371,183 was recorded in FY 2019 and FY 2018, respectively.

The amount of exchange revenue in FY 2019 is primarily related to reimbursable agreements with the National Park Service for the Save America's Treasures grants and with the Department of Education for the 21st Century Community Learning Centers. The National Park Service's agreement has been developed due to Public Law 115-31 appropriating funds from the Historic Preservation Fund for the Save America's Treasures grants which are for the conservation of important historical collections. The Department of Education interagency agreement has been developed to provide STEM-rich making activities for students participating in after-school programming at 21st Century Community Learning Centers.

The amount of exchange revenue in FY 2018 is primarily related to reimbursable agreements with the Environmental Protection Agency for the Building Blocks for Sustainable Communities Program and with the Department of Education for the 21st Century Community Learning Centers. The Environmental Protection Agency's agreement was developed to provide expert technical assistance to grantees as part of IMLS's Community Catalyst Initiative through the Building Blocks for Sustainable Communities Program. The Department of Education interagency agreement was developed to provide STEM-rich making activities for students participating in after-school programming at 21st Century Community Learning Centers.

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

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

Note 11 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. 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, 2019 and 2018

(in Dollars)

Audited

Note 12 Undelivered orders at the end of the period

	2019		
	Federal	Non-Federal	Total
Undelivered Orders - Paid	\$ 163,073	\$ 4,570,373	\$ 4,733,446
Undelivered Orders - Unpaid	<u>1,059,558</u>	<u>272,680,808</u>	<u>273,740,366</u>
Total undelivered orders	<u>\$ 1,222,631</u>	<u>\$ 277,251,181</u>	<u>\$ 278,473,812</u>

	2018		
	Federal	Non-Federal	Total
Undelivered Orders - Paid	\$ 4,194	\$ 2,988,568	\$ 2,992,762
Undelivered Orders - Unpaid	<u>662,225</u>	<u>263,121,642</u>	<u>263,783,867</u>
Total undelivered orders	<u>\$ 666,419</u>	<u>\$ 266,110,210</u>	<u>\$ 266,776,629</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

Note 13 Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government

The President's Budget for fiscal year 2020, published in March of 2019, included IMLS actual budget amounts for fiscal year 2018 in the "Other Independent Agencies" section located in the Appendix of the Budget, which can be found at <https://www.whitehouse.gov/wp-content/uploads/2019/03/appendix-fy2020.pdf>. Actual numbers for fiscal year 2019 will be included in the President's Budget for fiscal year 2021, scheduled to be released in February 2020. The budget can be found at <https://www.whitehouse.gov/omb/budget/> when it becomes available.

Differences exist between the amounts reported in the fiscal year 2018 Statement of Budgetary Resources and the fiscal year 2018 enacted amounts reported in the fiscal year 2020 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.

FY 2018 (in Millions of Dollars)	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Budget of the U.S. Government	\$244	\$243	\$0	\$223
IMLS Statement of Budgetary Resources	\$248	\$243	\$0	\$223
Differences	\$4	\$0	\$0	\$0

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

Note 14 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.

	<u>2019</u>	<u>2018</u>
Collections for IMLS projects funded in prior years	\$ 3,091	\$ 4,286
Total Cash Collections	<u>\$ 3,091</u>	<u>\$ 4,286</u>
Disposition of collections:		
Transferred to Treasury (general fund)	\$ 3,091	\$ 4,286
Retained by the Reporting Entity	<u>-</u>	<u>-</u>
Net custodial revenue activity	<u>\$ -</u>	<u>\$ -</u>

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

Note 15 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 2019, IMLS has received \$3,212 in total contributions. In FY 2018, IMLS received \$15,161 in total contributions.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

Note 16 Reconciliation of Net Cost to Net Outlays

The prior year Note 15 - Reconciliation of Net Cost of Operations to Budget has been replaced by Note 16 - Reconciliation of Net Cost to Net Outlays due to guidance from SFFAS 7, paragraphs 80-82 and 95-101.

The prior year Note 15 - Reconciliation of Net Cost of Operations to Budget is being shown for comparative purposes.

	Federal	Non-Federal	Total
Net Operating Cost	\$ 4,256,366	\$ 227,792,722	\$ 232,049,088
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation, Amortization, and Depletion	-	(227,084)	(227,084)
Future Funded Expenses	-	-	-
Increase/(decrease) in assets not affecting Budget Outlays:			
Accounts Receivable	-	-	-
Advances and Prepayments	158,879	1,581,804	1,740,683
(Increase)/decrease in liabilities not affecting Budget Outlays:			
Accounts Payable	1,552	(8,728)	(7,176)
Disbursements in Transit	-	-	-
Liability for Advances and Prepayments	(3,360,749)	-	(3,360,749)
Accrued Funded Payroll and Leave	-	13,944	13,944
Employer Contributions and Payroll Taxes Payable	(83)	459	376
Other Liabilities With Related Budgetary Obligations	9,773	(1,873,156)	(1,863,383)
Unfunded Leave	-	11,784	11,784
Other Unfunded Employment Related Liability	(5,060)	-	(5,060)
Other Liabilities Without Related Budgetary Obligations	137,101	-	137,101
Other Financing Sources			
Imputed Financing Costs	(501,273)	-	(501,273)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(3,559,860)	(500,977)	(4,060,837)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Purchases of Property, Plant, and Equipment	(9,773)	-	(9,773)
Other	-	(3,212)	(3,212)
Net Outlays	\$ 686,733	\$ 227,288,534	\$ 227,975,267
Related Amounts on the Statement of Budgetary Resources			
Outlays, net	\$ 227,978,479		
Distributed Offsetting Receipts	(3,212)		
Agency Outlays, Net	\$ 227,975,267		

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2019 and 2018

(in Dollars)

Audited

Note 16 Reconciliation of Net Cost of Operations to Budget*

	2018
Resources Used to Finance Activities:	
Budgetary Resources Obligated	
Obligations incurred	\$ 242,665,810
Less: Spending authority from offsetting collections and recoveries	(4,764,257)
Less: Offsetting receipts	<u>(15,161)</u>
Obligations net of offsetting collections and recoveries	\$ 237,886,392
Other Resources	
Imputed financing from costs absorbed by others	<u>507,468</u>
Total resources used to finance activities	\$ 238,393,860
Resources Used to Finance Items not Part of the Net Cost of Operations:	
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided (+/-)	\$ (10,787,409)
Resources that fund expenses recognized in prior periods	-
Budgetary offsetting collections and receipts that do not affect net cost of operations:	
Other	-
Resources that finance the acquisition of assets	20,000
Adjustments to net obligations resources that do not affect net cost	<u>15,161</u>
Total resources used to finance items not part of the Net Cost of Operations	(10,752,248)
Total Resources Used to Finance the Net Cost of Operations	\$ <u>227,641,612</u>
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:	
Components Requiring or Generating Resources in Future Periods	
Increase in Annual leave liability	\$ (53,091)
Increase in Exchange Revenue	-
Other (+/-)	<u>(142,597)</u>
Total Components of Net Cost of Operations Requiring or Generating Resources in Future Periods	(195,688)
Components not Requiring or Generating Resources:	
Depreciation and amortization	316,017
Gain/Loss on Disposal of Assets	-
Other (+/-)	<u>-</u>
Total components of Net Cost of Operations that will not require or generate resources	316,017
Total components of Net Cost of Operations that will not require or generate resources in the current period	120,329
Other Adjustments (unreconciled difference to SNC)	<u>-</u>
Net Cost of Operations	\$ <u>227,761,941</u>

*Prior year Note 15 - shown for comparative presentation purposes

Required Supplementary Stewardship Information

RSSI – INVESTMENT IN RESEARCH AND DEVELOPMENT (UNAUDITED)

The Institute of Museum and Library Services through the Museum and Library Services Act of 2010 has unique federal responsibilities for the “development and implementation of policy to ensure the availability of museum, library and information services adequate to meet the essential information, education, research, economic, cultural and civic needs of the people of the United States.” The law charges IMLS with advising the President and Congress on library, museum, and information services and with supporting a wide range of programming that impacts the lives of millions of Americans. The Grants to States program was appropriated funds in the amount of \$160,803,000 in FY 2018 for library funding to all fifty states, the District of Columbia, the U.S. territories and the Freely Associated States.

In fulfillment of those responsibilities, IMLS has invested research funding in the development of a redesign of the Grants to States Program Reporting (SPR) system to be used by the State Library Administrative Agencies (SLAAs). The SPR system will include technological and informational upgrades to the original reporting system. These upgrades will allow SLAAs to report directly into the SPR system to better categorize and share information. The benefits of improved capture and classification of data from the Grants to States program not only advances program-level evaluation but offers the states a benchmarking tool for similar projects.

The original reporting system for the Grants to States program was developed by IMLS in 2002. This legacy reporting system outlasted all estimates of determinable life. All expected users of the new SPR system are currently reporting project outcomes. In FY 2018, an enhancement was completed adding search capability of spending at the local level resulting in greater data transparency. No additional investments were made to the system in FY 2019 in order to set a baseline and gain feedback on necessary future enhancements. As additional data is reported into the new system, outcomes of additional projects captured in the system will be available for viewing by the public to understand the benefits provided to them through the recipients of IMLS funding.

Additional benefits of the SPR are that it enhances efforts to quantify non-financial and financial data, offers the states increased reporting capabilities, and allows comparisons of more standardized data from the states. Future investment is planned in FY 2020. The development expenses incurred to date for the upgraded SPR are included in the schedule below.

Fiscal Year	Expenses Incurred
2019	\$0k
2018	\$8K
2017	\$34K
2016	\$165K
2015	\$146K
Total	\$353K

SECTION 3

Other Information

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

On behalf of the Institute of Museum and Library Services, it is my pleasure to join with Director Matthew in presenting the Institute's FY 2019 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 Institute received a fourteenth 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 federal government such as the U.S. Treasury and OMB.

In FY 2019, there were no significant changes or issues in the Institute's financial operations or systems. We continued our successful partnership with the Federal Aviation Administration–Enterprise Services Center (FAA-ESC) for our accounting and financial reporting services. The ability to partner with one of the 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 continued to focus on creating automated, system-driven solutions to gain efficiencies and increase transparency. These changes will improve operational efficiencies, imbed additional controls in our automated processes, and optimize the use of improved technology. The agency continues to leverage the core competencies of our federal partners, including engaging with the National Endowment for the Humanities in the conversion to the eGMS grants management system. In FY 2020 the agency will be fully implemented in eGMS and expects to gain efficiencies in all phases of the grant life cycle from application submission to award close out, as well as enhanced reporting that will facilitate the agency's efforts to strengthen evaluation and research functions.

We are confident that our financial systems and operations will continue to support the Institute's mission to effectively and efficiently reach our intended outcomes. I want to extend my sincere thanks and appreciation to all of the dedicated staff at IMLS whose commitment and effort made this past year a success: your work is recognized and appreciated.

Sincerely,



Christopher A. Catignani, Chief Financial Officer,
November 14, 2019

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					
NON-COMPLIANCE	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	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

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, Library National Leadership Grants, 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.
Training for personnel	IMLS staff are adequately trained throughout the year on current grants administration practices and policies within the Federal Government.
Significant deficiencies in audit reports	There have been no significant deficiencies in any audit report that might hinder accurate payment certification.
Results from prior improper payment work	A review of improper payments is done each fiscal year and there have been no findings on significant improper payments.

None of these grant programs is considered susceptible to significant erroneous payments or qualifies 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 State Library Agency of each state or territory and does not change from year to year. The other three 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 2019 grant payments was performed. In FY 2019, there were erroneous payments totaling approximately \$38,081 or .014 percent of the agency outlays of \$211.93 million for grant programs. The primary cause of these payments was supplier identification issues where an incorrect supplier was paid. As of September 30, 2019, IMLS has recovered 100 percent of these payments. In FY 2018, there were overpayments totaling approximately \$185,489 or .09 percent of \$208.78 million for grant programs. As of September 30, 2019, IMLS had recovered 100 percent of these payments. There were no underpayments in the review of the FY 2019 and FY 2018 payments.

In accordance with the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), the FY 2019 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. The

total administrative improper payments as of September 30, 2019 was \$300 for vendor invoices. As of September 30, 2019, IMLS has recovered 100 percent of these payments. Improper interest charges on honorarium payments in the amount of \$241, however 100% of these have been recovered as of September 30, 2019. Contracting and travel interest charges in the amount of \$163 have been included in the administrative expense review. These funds are not subject to recapture and will not be recovered. The total administrative improper payments as of September 30, 2018 was \$4,253. This amount included improper payments of \$3,391 for vendor invoices and \$862 in improper travel reimbursement payments. As of September 30, 2019, IMLS has recovered 31.8 percent of these payments. The majority of this amount is for vendor improper payments that were incurred due to discounts not taken on invoices. These funds are not subject to recapture and will not be recovered. There were no underpayments in the review of the FY 2019 and FY 2018 administrative activity outlays.

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 2019, IMLS, along with its financial management shared-service provider continued the use of the Batch Processing function of OMB's Do Not Pay 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

PROGRAM OR ACTIVITY	PY OUTLAYS	PY IP%	PY IP\$	CY OUTLAYS	CY IP%	CY IP\$
Grants	\$208.77M	0.089%	\$.185M	\$211.93M	0.014%	\$.031M
Administrative	\$ 5.86M	0.006%	\$.004M	\$ 6.48M	0.005%	\$.0003M
Total	\$214.63M		\$.189M	\$218.41M		\$.0313M

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	\$212.00M	0.01%	\$.021M	\$212.00M	0.005%	\$.011M	\$212.00M	0.000%	\$.000M
Administrative	\$ 6.50M	0.00%	\$.000M	\$ 6.00M	0.000%	\$.000M	\$ 6.00M	0.000%	\$.000M
Total	\$218.50M		\$.021M	\$218.00M		\$.011M	\$218.00M		\$.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+PYS)	CUMULATIVE AMOUNT RECAPTURED (CY+PYS)
Grants	\$.031M	\$.031M	\$.185M	\$.185M	\$.216M	\$.216M
Administration	\$.0003M	\$.0003M	\$.004M	\$.001M	\$.0043M	\$.0013M
Total	\$.0313M	\$.0313M	\$.189M	\$.186M	\$.2203M	\$.2173M

AGENCY REDUCTION OF IMPROPER PAYMENTS WITH THE DO NOT PAY INITIATIVE

An important part of the IMLS's program integrity efforts designed to prevent, identify, and reduce improper payments is integrating Treasury Department's Do Not Pay (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 OFM'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, 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.

The 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 was 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 PAR 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	4,604	\$211.93M	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 2019 and FY 2018 surveys resulted in no responses that would indicate any fraud. The agency established a Risk Management Committee in FY 2018, which monitors the status of active projects and continues to propose top priorities for a risk management review to the Leadership Team. A cross-agency review of grant management pre-award activities was initiated in FY 2019. In FY 2020, new grant monitoring and tracking reports will be developed and made available to staff through the new electronic grants management system.