

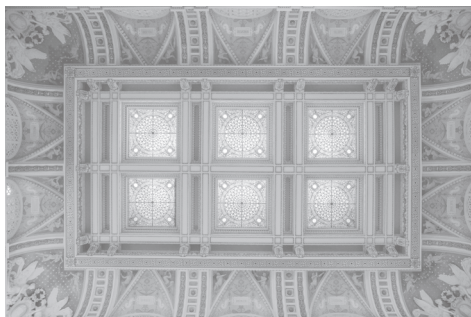
LIBRARY
LIBRARY
OF CONGRESS



Statutory Licensing Fiduciary Assets Financial Statements and Independent Auditors' Report

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

LIBRARY
LIBRARY
OF CONGRESS



Statutory Licensing Fiduciary Assets Financial Statements and Independent Auditors' Report

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

Statutory Licensing Fiduciary Assets
Financial Statements and Independent Auditors' Report
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

Table of Contents

Results of the Library of Congress' FY 2022 Fiduciary Fund Financial Statements Audit 1

Financial Statements 5

Notes to the Financial Statements 7

Independent Auditor's Report17

Results of the Library of Congress' FY 2022 Fiduciary Fund Financial Statements Audit



MEMO

Date June 5, 2023
To Dr. Carla Hayden
Librarian of Congress
From Eric N. Mader *Eric N. Mader*
Acting Inspector General
Subject Results of the Library of Congress' FY 2022 Fiduciary Fund Financial Statement Audit, Report No. 2022-FN-103

The attached report present the results of the audit of the fiscal year (FY) 2022 statement of fiduciary net assets and statement of fiduciary activity of the Library of Congress (Library).

We contracted with the independent public accounting firm of Cotton & Company Assurance and Advisory, LLC (Cotton) to audit the financial statements of the Library's fiduciary fund as of and for the FYs ended September 30, 2022, and 2021, and to provide a report on internal control over financial reporting and compliance with laws and other matters. The contract required that the audit be performed in accordance with *Government Auditing Standards*, Office of Management and Budget audit guidance, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.

Results of Independent Audit

In its audit of the Library's fiduciary fund, Cotton reported:

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material or significant weaknesses in internal control over financial reporting;¹ and

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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. A deficiency in internal control exists when the design or

- no reportable noncompliance with provisions of laws and regulations tested or other matters.

Office of the Inspector General Oversight of Cotton

In connection with the contract, we reviewed Cotton's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with *Government Auditing Standards*, was not intended to enable us to express, and we do not express, opinions on the Library's financial statements, conclusions about the effectiveness of internal controls over financial reporting, or on compliance with laws and other matters. Cotton is responsible for the attached auditor's report dated May 15, 2023, and the conclusions expressed therein. However, our review disclosed no instances where Cotton did not comply, in all material respects, with *Government Auditing Standards*.

cc: Principal Deputy Librarian
Register of Copyrights
Chief Operating Officer
Chief Financial Officer
Comptroller
General Counsel

Attachment

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.



Office of the Librarian

MEMORANDUM

DATE May 4, 2023
TO Eric Mader, Acting Inspector General
FROM Carla Hayden, Librarian of Congress *Carla Hayden*
SUBJECT Management Response to Independent Auditor's Report on the Library of Congress' FY 2022 Fiduciary Financial Statements

The Library of Congress (Library) has reviewed the draft Independent Auditor's Report from Cotton & Company (Auditor), which includes the Auditor's opinion on the Library's FY 2022 Fiduciary Financial Statements; report on the Library's internal control over financial reporting; and report on compliance with laws, regulations, contracts, and grant agreements.

We are pleased that the Library received a clean audit opinion on its FY 2022 Fiduciary Financial Statements; no reported material weaknesses or significant deficiencies in internal control over financial reporting; and no reported non-compliance with laws, regulations, contracts, and grant agreements.

We appreciate the professionalism and care exhibited by all parties during this audit process. The Library remains committed to strong financial governance and management in the execution of its fiduciary duties.

cc: Shira Perlmutter, Register of Copyrights
Mary Klutts, Chief Financial Officer
Jacklyn Napier, Assistant Register and Director of Operations, USCO

Financial Statements

STATEMENTS OF FIDUCIARY NET ASSETS

AS OF SEPTEMBER 30, 2022 AND 2021

(in thousands)

| | FY 2022 | FY 2021 |
|---|---------------------|---------------------|
| Fund Balance with Treasury | \$ 120 | \$ 119 |
| Investments in U.S. Treasury securities, net (Note 2) | 1,301,467 | 1,216,092 |
| Accounts receivable | 1,419 | 991 |
| TOTAL FIDUCIARY NET ASSETS (Note 3) | \$ 1,303,006 | \$ 1,217,202 |

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

STATEMENTS OF FIDUCIARY ACTIVITY

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

(in thousands)

| | FY 2022 | FY 2021 |
|---|---------------------|---------------------|
| Beginning Fiduciary Net Assets | \$ 1,217,202 | \$ 1,433,240 |
| Royalty fees received (Note 4) | 215,592 | 222,595 |
| Investment earnings (Note 5) | 7,167 | 697 |
| Total Inflows to Fiduciary Net Assets | 222,759 | 223,292 |
| Distributions to copyright owners (Note 6) | (131,862) | (434,876) |
| Refunds of royalty fees | (1,512) | (1) |
| Net royalty fees retained for administrative costs (Note 8) | (3,581) | (4,453) |
| Total Outflows from Fiduciary Net Assets | (136,955) | (439,330) |
| Increase/(Decrease) in Fiduciary Net Assets | 85,804 | (216,038) |
| ENDING FIDUCIARY NET ASSETS | \$ 1,303,006 | \$ 1,217,202 |

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

Notes to the Financial Statements

(1) SIGNIFICANT ACCOUNTING POLICIES

(a) Description of Reporting Entity

The Library of Congress (“the Library”) is responsible for the fiduciary activities related to the collection or receipt, and the subsequent management, protection, accounting, investment and disposition of certain statutory royalty fees to which copyright owners have an ownership interest under the Copyright Act (Title 17 of the U.S. Code, “the Act”). As a service unit within the Library, and under the direction of the Register of Copyrights, the U.S. Copyright Office (“USCO”) administers the Nation’s copyright laws and provides expert advice and guidance to Congress, Executive Branch agencies, and the courts, on matters of copyright law and policy. The USCO manages the nation’s copyright registration and mandatory deposit functions, and works to expand and protect the role of copyright in the advancement of the public good and in support of vital segments of the U.S. economy. The Copyright Royalty Board (“CRB”), <https://www.crb.gov>, is an institutional entity in the Library of Congress comprised of three Copyright Royalty Judges (“CRJs”) who are appointed by the Librarian of Congress, and supporting staff. Among other duties, the CRJs have jurisdiction over setting or adjusting royalty rates and terms under the Act’s statutory licenses. They also authorize certain royalty distributions to copyright owners and resolve any controversies related to the distributions. Determinations of the CRJs may be appealed to the United States Court of Appeals for the District of Columbia Circuit.

As part of its administration of the statutory licensing provisions of the Act, the USCO collects the royalty fee payments due to copyright owners from cable operators for the retransmission of over-the-air television and radio broadcast stations to subscribers (17 U.S.C. §111), from satellite carriers for the retransmission of distant and local over-the-air television broadcast stations for private home viewing (17 U.S.C. §§ 119 and 122), and from importers or manufacturers for distributing products that employ Digital Audio Recording Technologies (“DART”) (17 U.S.C. §1003).

The Act provides that the Copyright Office’s Licensing Section also may charge cable operators and satellite carriers filing fees for the processing of statements of account (“SOA”) under sections 111, 119, and 122. In addition to the filing fees charged by the USCO, the CRB also charges a filing fee for participation in CRB proceedings. See (e) Amounts Collected and Offset for Administrative Costs, below.

The USCO deducts certain reasonable costs of the Licensing Section and of the CRJs from the SOA filing fees, CRB proceeding filing fees, and royalty fee payments collected for administering certain statutory licensing provisions. The amount deducted is limited to the appropriated authority provided by Congress. Further, the SOA filing fees for sections 111, 119, and 122 “may not exceed one-half of the cost necessary to cover reasonable expenses incurred by the Copyright Office for the collection and administration of the statements of account and any royalty fees deposited with such statements.” 17 U.S.C. § 708(a). The remaining royalty fee payments for each license type and filing year are then invested on behalf of copyright owners until they are distributed to qualifying copyright owners based on orders issued by the CRJs. The USCO evaluates these fees as part of recurring fee studies conducted for these and other fees established under Section 708.

¹ The term “Copyright Royalty Board” refers to the institutional entity in the Library of Congress that houses the “Copyright Royalty Judges” and their royalty-setting proceedings. 37 C.F.R. § 301.1.

(b) Basis of Accounting and Presentation

The accompanying financial statements report the fiduciary net assets and changes in the fiduciary net assets for fiscal years 2022 and 2021. The statements were prepared from the Library's financial management system in accordance with Generally Accepted Accounting Principles (GAAP). 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.

As a legislative branch agency, the Library is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. §3511 or the standards developed by the Federal Accounting Standards Advisory Board (FASAB). Nor is the Library required to prepare general purpose financial statements or follow FASAB GAAP. Nevertheless, pursuant to 2 U.S.C. 136, the Library has issued Library of Congress Regulation (LCR) 6-110, Financial Management, which adopts FASAB standards for financial reporting and internal controls in a manner consistent with a legislative agency, and insofar as practical, conforms to GAAP for federal agencies.

The Library has not adopted the Federal Financial Management Improvement Act of 1996, the Federal Managers' Financial Integrity Act, the Government Performance and Results Act (GPRA), and the GPRA Modernization Act, as these authorities are not applicable to the Library. However, the Library uses these sources as guidance and reference in its operations.

Fiduciary cash and other assets are not assets of the Library or the federal government, are not recognized on the balance sheet of the Library or the Federal Government, and are assets of a non-federal party for which the Federal Government is responsible.

(c) Fund Balance with Treasury

The amount shown as Fund Balance with Treasury represents the balance of uninvested royalty fees on deposit with the U.S. Treasury, and filing fees on deposit with the U.S. Treasury that are not part of the net fiduciary assets, but are pending offset against administrative costs of the Licensing Section and of the CRJs.

(d) Investments in U.S. Treasury securities, net

Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Discounts and premiums are amortized over the term of the security using the effective interest method for all long term securities and the straight line method for short term securities. Interest earned is computed using the straight-line method, which approximates the effective interest method.

In accordance with the statutory licensing provisions of the Act, royalty fees collected for each license type and filing year are invested on behalf of copyright owners, net of reasonable costs incurred by the USCO, in U.S. Treasury securities. Interest income accrues to the copyright owners.

To ensure liquidity for distributions, royalty fees collected are generally first invested in U.S. Treasury notes with maturities of approximately one year. If funds are not immediately needed to fulfill a distribution order issued by the CRJs, funds from maturing securities are generally reinvested in U.S. Treasury bills with maturities of six to eight weeks.

(e) Amounts Collected and Offset for Administrative Costs

The USCO's Licensing Section and the CRJs receive annual, appropriated authority to expend for certain costs related to their respective duties regarding the statutory licensing provisions of the Act, including costs of collection and administration of licensee SOAs and administration and distribution of any royalty fees deposited with such statements.

Under the appropriation acts, authority is provided for funding certain administrative costs through fees collected (offsetting collections), and the Library retains the SOA filing fees, CRB proceedings filing fees, and royalty fee payments collected to fund administering certain statutory licensing provisions as stipulated under the authority. In accordance with Library procedures, fees are initially retained in amounts to provide for the full fiscal year authority for the offsetting collections of the Licensing Section and of the CRJs. The offsetting collection authority under the relevant appropriations expires at the end of the associated fiscal year, but remains available for adjustments of obligations for a five-year period, after which the authority is cancelled. Until the cancellation of the appropriation, it is the policy of the USCO to retain one percent of the unobligated offsetting authority remaining for each fiscal year plus any amounts necessary for known contingencies as a reserve for these adjustments.

Filing fees collected by the USCO from licensees required to file SOAs under the statutory licensing provisions of the Act or to participate in CRB proceedings are not part of the fiduciary balances administered by the USCO. Filing fees collected reduce the amount of royalty fees retained for administrative costs of the Licensing Section and of the CRJs.

(f) Refunds and Underpayments

Refunds may arise when a cable, satellite, or DART licensee inadvertently overpays or is otherwise entitled to a refund. Additional royalty fees may also be requested from the licensee to resolve underpayments, including underpayments of interest associated with a late filing.

(g) Accounts receivable

The Library initially offsets the full amount of appropriated authority available to the Licensing Section and CRJs for administrative costs. Although the authority for offset remains available for the five-year period, the authority may be more than the amounts necessary to offset actual obligations. To ensure that the fiduciary accounts reflect an appropriate estimate of amounts that will not be needed to offset actual obligations, an accounts receivable is recorded to the fiduciary accounts. The accounts receivable represents an accrual for the estimated amount that will not be necessary to offset actual obligations and will be transferred back to the fiduciary fund in the next fiscal year.

(2) INVESTMENTS IN U.S. TREASURY SECURITIES, NET

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Maturity dates for fiduciary investments held at September 30, 2022 and 2021 range from November 17, 2022 to August 31, 2023 and October 21, 2021 to August 31, 2022, respectively. The yields on investments that matured in fiscal years 2022 and 2021 ranged between 0.019% and 2.150% and 0.005% and 0.140%, respectively.

Invested royalty fees by license type as of September 30, 2022 and 2021 are as follows:

FY 2022 *(in thousands)*

| Description | Cable Investments (Non-Marketable, Market-Based) | Satellite Investments (Non-Marketable, Market-Based) | DART Investments (Non-Marketable, Market-Based) | Total |
|-------------------------------------|--|--|---|---------------------|
| Face Value | \$ 1,247,079 | \$ 59,037 | \$ 145 | \$ 1,306,261 |
| Unamortized Premium/(Discount), Net | (4,801) | (216) | (1) | (5,018) |
| Interest Receivable | 223 | 1 | - | 224 |
| INVESTMENTS, NET | \$ 1,242,501 | \$ 58,822 | \$ 144 | \$ 1,301,467 |
| MARKET VALUE | \$ 1,241,686 | \$ 58,824 | \$ 144 | \$ 1,300,654 |

FY 2021 *(in thousands)*

| Description | Cable Investments (Non-Marketable, Market-Based) | Satellite Investments (Non-Marketable, Market-Based) | DART Investments (Non-Marketable, Market-Based) | Total |
|-------------------------------------|--|--|---|---------------------|
| Face Value | \$ 1,118,410 | \$ 95,944 | \$ 140 | \$ 1,214,494 |
| Unamortized Premium/(Discount), Net | 1,457 | (1) | - | 1,456 |
| Interest Receivable | 141 | 1 | - | 142 |
| INVESTMENTS, NET | \$ 1,120,008 | \$ 95,944 | \$ 140 | \$ 1,216,092 |
| MARKET VALUE | \$ 1,119,845 | \$ 95,942 | \$ 140 | \$ 1,215,927 |

(3) FIDUCIARY NET ASSETS

Fiduciary net assets are maintained in separate investment “pools” by license type and by the calendar filing year for which the royalty fee payments were due from licensees subject to the statutory licensing provisions of the Act. Fiduciary net assets by license type and filing year as of September 30, 2022 and 2021 are as follows:

(in thousands)

| Calendar License Filing Year | FY 2022 | | | | FY 2021 | | | |
|-----------------------------------|--------------------|--------------------|------------------|---------------|--------------------|--------------------|------------------|---------------|
| | Total | Cable | Satellite | DART | Total | Cable | Satellite | DART |
| 2022 | \$ 106,086 | \$ 105,793 | \$ 293 | \$ – | \$ – | \$ – | \$ – | \$ – |
| 2021 | 213,066 | 212,369 | 697 | – | 108,071 | 107,790 | 281 | – |
| 2020 | 226,253 | 222,234 | 4,019 | – | 224,542 | 220,570 | 3,972 | – |
| 2019 | 145,462 | 140,227 | 5,231 | 4 | 240,767 | 232,114 | 8,653 | – |
| 2018 | 142,663 | 135,907 | 6,756 | – | 141,783 | 135,069 | 6,714 | – |
| 2017 | 134,600 | 126,866 | 7,728 | 6 | 133,918 | 126,240 | 7,672 | 6 |
| 2016 | 114,760 | 106,444 | 8,315 | 1 | 114,196 | 105,934 | 8,261 | 1 |
| 2015 | 116,098 | 90,391 | 25,688 | 19 | 115,500 | 89,952 | 25,529 | 19 |
| 2014 | 99,263 | 99,188 | – | 75 | 133,698 | 98,706 | 34,917 | 75 |
| 2013 | 11 | – | – | 11 | 11 | – | – | 11 |
| 2012 | 28 | – | – | 28 | 28 | – | – | 28 |
| 2009 | 60 | – | 60 | – | 60 | – | 60 | – |
| 2008 | 35 | – | 35 | – | 35 | – | 35 | – |
| 2007 | 40 | 40 | – | – | 39 | 39 | – | – |
| 2006 | 11 | 11 | – | – | 11 | 11 | – | – |
| 2005 | 82 | 82 | – | – | 82 | 82 | – | – |
| 2004 | 152 | 75 | 77 | – | 152 | 75 | 77 | – |
| 2003 | 654 | 654 | – | – | 650 | 650 | – | – |
| 2002 | 859 | 859 | – | – | 854 | 854 | – | – |
| 2001 | 829 | 829 | – | – | 823 | 823 | – | – |
| 2000 | 1,993 | 1,993 | – | – | 1,981 | 1,981 | – | – |
| 1999 | 1 | 1 | – | – | 1 | 1 | – | – |
| TOTAL FIDUCIARY NET ASSETS | \$1,303,006 | \$1,243,963 | \$ 58,899 | \$ 144 | \$1,217,202 | \$1,120,891 | \$ 96,171 | \$ 140 |

(4) ROYALTY FEES RECEIVED

Cable and satellite licensees subject to the statutory licensing provisions of the Act are required to file SOAs and submit royalty fee payments on a semi-annual basis each calendar year. DART licensees file quarterly and annual SOAs based upon the remitter's fiscal year, and submit royalty fee payments as part of those filings. Royalty fees received for the years ended September 30, 2022 and 2021 are as follows:

(in thousands)

| Calendar License Filing Year | FY 2022 | | | | FY 2021 | | | |
|------------------------------------|-------------------|-------------------|---------------|-------------|-------------------|-------------------|-----------------|-------------|
| | Total | Cable | Satellite | DART | Total | Cable | Satellite | DART |
| 2022 | \$ 108,910 | \$ 108,484 | \$ 426 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2021 | 106,658 | 106,204 | 454 | - | 111,455 | 110,947 | 508 | - |
| 2020 | 14 | 14 | - | - | 111,117 | 110,435 | 682 | - |
| 2019 | 10 | 6 | - | 4 | 4 | 4 | - | - |
| 2018 | - | - | - | - | 2 | 2 | - | - |
| 2017 | - | - | - | - | 19 | 19 | - | - |
| 2016 | - | - | - | - | (2) | (2) | - | - |
| TOTAL ROYALTY FEES RECEIVED | \$ 215,592 | \$ 214,708 | \$ 880 | \$ 4 | \$ 222,595 | \$ 221,405 | \$ 1,190 | \$ - |

(5) INVESTMENT EARNINGS

Investment earnings by calendar license filing year for the years ended September 30, 2022 and 2021 are as follows:

(in thousands)

| Calendar License Filing Year | FY 2022 | | | FY 2021 | | |
|----------------------------------|-----------------|-----------------|-----------------------------|---------------|-----------------|-----------------------------|
| | Total | Interest | (Premium)/ Discount, Net | Total | Interest | (Premium)/ Discount, Net |
| 2022 | \$ 303 | \$ 225 | \$ 78 | \$ – | \$ – | \$ – |
| 2021 | 780 | 2,293 | (1,513) | 2 | 144 | (142) |
| 2020 | 1,394 | – | 1,394 | 185 | 1,846 | (1,661) |
| 2019 | 900 | – | 900 | 115 | – | 115 |
| 2018 | 880 | – | 880 | 68 | – | 68 |
| 2017 | 830 | – | 830 | 64 | – | 64 |
| 2016 | 708 | – | 708 | 54 | – | 54 |
| 2015 | 716 | – | 716 | 55 | – | 55 |
| 2014 | 628 | – | 628 | 64 | – | 64 |
| 2013 | – | – | – | 17 | – | 17 |
| 2012 | – | – | – | 17 | – | 17 |
| 2011 | – | – | – | 20 | – | 20 |
| 2010 | – | – | – | 20 | – | 20 |
| 2009 | – | – | – | 2 | – | 2 |
| 2008 | – | – | – | 1 | – | 1 |
| 2007 | – | – | – | 2 | – | 2 |
| 2006 | – | – | – | 2 | – | 2 |
| 2005 | 1 | – | 1 | 2 | – | 2 |
| 2004 | 1 | – | 1 | 2 | – | 2 |
| 2003 | 4 | – | 4 | 1 | – | 1 |
| 2002 | 5 | – | 5 | 1 | – | 1 |
| 2001 | 5 | – | 5 | 1 | – | 1 |
| 2000 | 12 | – | 12 | 2 | – | 2 |
| TOTAL INVESTMENT EARNINGS | \$ 7,167 | \$ 2,518 | \$ 4,649 | \$ 697 | \$ 1,990 | \$ (1,293) |

(6) DISTRIBUTIONS TO COPYRIGHT OWNERS

The CRJs have jurisdiction over determinations concerning adjustments and determinations of copyright royalty rates and terms, the distribution of copyright royalties, and other determinations relating to statutory licensing as set forth in Chapter 8 of the Act. Distributions of fiduciary assets to copyright owners are made by the USCO in accordance with the CRJs distribution orders.

For the years ended September 30, 2022 and 2021, the USCO distributed the following amounts to copyright owners:

(in thousands)

| Calendar License Filing Year | FY 2022 | | | | FY 2021 | | | |
|--|-------------------|------------------|------------------|-------------|-------------------|-------------------|------------------|--------------|
| | Total | Cable | Satellite | DART | Total | Cable | Satellite | DART |
| 2019 | \$ 96,309 | \$ 92,848 | \$ 3,461 | \$ — | \$ — | \$ — | \$ — | \$ — |
| 2017 | 202 | 202 | — | — | — | — | — | — |
| 2016 | 170 | 170 | — | — | — | — | — | — |
| 2015 | 118 | 118 | — | — | 36 | — | — | 36 |
| 2014 | 35,063 | 130 | 34,933 | — | — | — | — | — |
| 2013 | — | — | — | — | 92,751 | 92,617 | 134 | — |
| 2012 | — | — | — | — | 89,822 | 89,351 | 471 | — |
| 2011 | — | — | — | — | 107,213 | 106,591 | 622 | — |
| 2010 | — | — | — | — | 102,951 | 101,602 | 1,349 | — |
| 2009 | — | — | — | — | 4,443 | 2,435 | 2,008 | — |
| 2008 | — | — | — | — | 3,897 | 3,343 | 554 | — |
| 2007 | — | — | — | — | 5,361 | 3,242 | 2,119 | — |
| 2006 | — | — | — | — | 5,419 | 3,302 | 2,117 | — |
| 2005 | — | — | — | — | 5,286 | 3,194 | 2,092 | — |
| 2004 | — | — | — | — | 5,150 | 3,167 | 1,983 | — |
| 2003 | — | — | — | — | 2,829 | — | 2,829 | — |
| 2002 | — | — | — | — | 2,891 | — | 2,891 | — |
| 2001 | — | — | — | — | 3,037 | — | 3,037 | — |
| 2000 | — | — | — | — | 3,223 | — | 3,223 | — |
| 1999 | — | — | — | — | 567 | — | 567 | — |
| TOTAL DISTRIBUTIONS TO COPYRIGHT OWNERS | \$ 131,862 | \$ 93,468 | \$ 38,394 | \$ — | \$ 434,876 | \$ 408,844 | \$ 25,996 | \$ 36 |

(7) AMOUNTS COLLECTED AND OFFSET FOR ADMINISTRATIVE COSTS

For fiscal year 2022, offsetting collection authority for the Licensing Section and the CRJs totaled \$6.411 million and \$.558 million, respectively, for a combined total of \$6.969 million. For fiscal year 2021, offsetting collection authority for the Licensing Section and the CRJs totaled \$6.232 million and \$.546 million, respectively, for a combined total of \$6.778 million.

For the years ended September 30, 2022 and 2021, filing and royalty fees available for offset of fiscal year administrative costs (offsetting collections) are as follows:

FY 2022 *(in thousands)*

| Description | Total | USCO Licensing Section | CRJs |
|--|-----------------|------------------------|---------------|
| Filing fees | \$ 1,379 | \$ 1,378 | \$ 1 |
| License filing year 2022 royalty fees | 4,193 | 3,775 | 418 |
| License filing year 2021 royalty fees | 1,397 | 1,258 | 139 |
| FEES COLLECTED TO OFFSET ADMINISTRATIVE COSTS | \$ 6,969 | \$ 6,411 | \$ 558 |

FY 2021 *(in thousands)*

| Description | Total | USCO Licensing Section | CRJs |
|--|-----------------|------------------------|---------------|
| Filing fees | \$ 1,273 | \$ 1,270 | \$ 3 |
| License filing year 2021 royalty fees | 4,128 | 3,721 | 407 |
| License filing year 2020 royalty fees | 1,377 | 1,241 | 136 |
| FEES COLLECTED TO OFFSET ADMINISTRATIVE COSTS | \$ 6,778 | \$ 6,232 | \$ 546 |

(8) NET ROYALTY FEES RETAINED FOR ADMINISTRATIVE COSTS

Royalty fee payments are collected on a calendar year basis, so amounts retained for any given fiscal year are deducted from royalties collected for periods that span two calendar years (the current and previous calendar year). In subsequent fiscal years, the Library's upward and downward adjustments of obligated balances may cause adjustments in the balances of royalties retained. Upon the cancellation of the authority for offsetting collections, all residual balances are refunded to the royalty accounts affected.

For the years ended September 30, 2022 and 2021, the net royalty fees retained for administrative costs consisted of the following:

(in thousands)

| Description | FY 2022 | | | FY 2021 | | |
|---|-----------------------------|------------------------|--------------|-----------------------------|------------------------|---------------|
| | Total Royalty Fees Retained | USCO Licensing Section | CRJs | Total Royalty Fees Retained | USCO Licensing Section | CRJs |
| 2022 royalty fees retained | \$ 4,193 | \$ 3,775 | \$ 418 | \$ – | \$ – | \$ – |
| 2022 royalty fees refunded or payable to the fiduciary fund | (1,065) | (771) | (294) | – | – | – |
| 2021 royalty fees retained | 1,397 | 1,258 | 139 | 4,128 | 3,721 | 407 |
| 2021 royalty fees refunded or payable to the fiduciary fund | (451) | (353) | (98) | (744) | (539) | (205) |
| 2020 royalty fees retained | – | – | – | 1,377 | 1,241 | 136 |
| 2020 royalty fees refunded or payable to the fiduciary fund | (319) | (284) | (35) | (247) | (179) | (68) |
| 2019 royalty fees refunded | (95) | (84) | (11) | – | – | – |
| 2017 royalty fees refunded | (53) | (24) | (29) | – | – | – |
| 2016 royalty fees refunded | (26) | (16) | (10) | (37) | (15) | (22) |
| 2015 royalty fees refunded | – | – | – | (24) | (8) | (16) |
| NET ROYALTY FEES RETAINED FOR ADMINISTRATIVE COSTS | \$ 3,581 | \$ 3,501 | \$ 80 | \$ 4,453 | \$ 4,221 | \$ 232 |

Independent Auditor's Report

Cotton

A SIKICH COMPANY

333 John Carlyle Street, Suite 500 | Alexandria, VA 22314
P: 703.836.6701 | www.cottoncpa.com

INDEPENDENT AUDITORS' REPORT

Inspector General, Library of Congress

In our audits of the fiscal years 2022 and 2021 statements of fiduciary net assets and statements of fiduciary activity (the fiduciary financial statements) of the Library of Congress, we found:

- The fiduciary financial statements as of and for the fiscal years ended September 30, 2022 and 2021, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- No material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- No reportable noncompliance for fiscal year 2022 with provisions of applicable laws, regulations, contracts, and grant agreements that we tested.

The following sections contain:

1. Our report on the Library of Congress' fiduciary financial statements; and
2. Other reporting required by *Government Auditing Standards*, which is our report on the Library of Congress' (a) internal control over financial reporting and (b) compliance and other matters.

REPORT ON THE AUDIT OF THE FIDUCIARY FINANCIAL STATEMENTS

Opinion

We have audited the fiduciary financial statements of the Library of Congress, which comprise the statements of fiduciary net assets as of September 30, 2022 and 2021, the related statements of fiduciary activity for the fiscal years then ended, and the related notes to the fiduciary financial statements (collectively, the fiduciary financial statements).

In our opinion, the accompanying fiduciary financial statements present fairly, in all material respects, the fiduciary net assets of the Library of Congress as of September 30, 2022 and 2021, and its fiduciary activity for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards applicable to financial statement audits contained in Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements subsection of our report. We are required to be independent of the Library of Congress and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1(b) to the fiduciary financial statements, fiduciary cash and other assets are not assets of the Library of Congress or the federal government and are not recognized on the balance



sheets of the Library of Congress or the federal government. They are assets of non-federal parties, for which the federal government is responsible. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAGAS, we:

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

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



OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Internal Control over Financial Reporting

In connection with our audits of the Library of Congress' fiduciary financial statements, we considered the Library of Congress' internal control over financial reporting, consistent with our auditors' responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

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

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 combination of deficiencies, in internal control over financial reporting, 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 over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our fiscal year 2022 audit, we identified deficiencies in the Library of Congress' internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant Library of Congress management's attention. We have communicated these matters to Library of Congress management and, where appropriate, will report on them separately.

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

We performed our procedures related to the Library of Congress' internal control over financial reporting in accordance with GAGAS.

Responsibilities of Management for Internal Control over Financial Reporting

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

Auditors' Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of the Library of Congress' fiduciary financial statements as of and for the fiscal year ended September 30, 2022, in accordance with GAGAS, we considered the Library of Congress' internal control relevant to the fiduciary financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library of Congress' internal control over financial reporting. Accordingly, we do not express an opinion on the Library of Congress' internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable



assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

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

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the Library of Congress' internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the Library of Congress' internal control over financial reporting. This report is an integral part of an audit performed in accordance with GAGAS in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Compliance and Other Matters

In connection with our audits of the Library of Congress' fiduciary financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditors' responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2022 that would be reportable under GAGAS. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Library of Congress. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with GAGAS. Our responsibilities under those standards are further described in the Auditors' Responsibilities for Tests of Compliance subsection below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Library of Congress management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Library of Congress.

Auditors' Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in the Library of Congress' fiduciary financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Library of Congress. We caution that noncompliance may occur and not be detected by these tests.

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

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



compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

COTTON & COMPANY ASSURANCE AND ADVISORY, LLC

A handwritten signature in cursive script that reads "Catherine L. Nocera".

Catherine L. Nocera, CPA
Partner
Alexandria, VA
May 15, 2023



LIBRARY

**LIBRARY
OF CONGRESS**

101 Independence Avenue, SE
Washington, DC 20540
loc.gov