



Annual Financial Report

FISCAL YEAR 2020



Table of Contents

| | |
|--|-----------|
| Message from the Director | 3 |
| 1. Management’s Discussion and Analysis (MD&A) | 5 |
| A. IMLS Overview and Mission | 5 |
| B. Strategic Goals..... | 6 |
| Strategic Goals and Objectives..... | 7 |
| C. Scope..... | 8 |
| COVID-19 Response..... | 8 |
| Library Services..... | 12 |
| Museum Services..... | 16 |
| Cross-agency Initiative | 19 |
| Cooperative Agreements..... | 19 |
| Interagency Collaboration..... | 21 |
| Policy Research, Analysis, Data Collection, and Dissemination..... | 22 |
| D. Brief Analysis of Financial Statements..... | 24 |
| Introduction and Figures | 24 |
| COVID-19 Financial Position | 25 |
| Limitations of Financial Statements | 25 |
| E. Management Assurances and Compliance with Laws..... | 26 |
| Overall Internal Control..... | 26 |
| Annual Assurance Statement | 27 |
| Management’s Assessment of Internal Control..... | 28 |
| Other Reviews..... | 28 |
| Summary of Current Financial System and Future Strategies | 28 |
| 2. Financial Information | 29 |
| Message from the Chief Financial Officer | 29 |
| Report of the Independent Auditors..... | 30 |
| 3. Other Information..... | 31 |
| Summary of Financial Statement Audit and Management Assurances..... | 31 |
| Payment Integrity..... | 33 |
| Risk Assessment and Systematic Sampling Method | 33 |
| Corrective Actions..... | 34 |
| Improper Payment Reporting Tables..... | 35 |
| Agency Reduction of Improper Payments with the Do Not Pay Initiative | 35 |
| Fraud Reduction Report..... | 36 |

Message from the Director



A year has passed since the last Annual Financial Report from the Institute of Museum and Library Services—and what a year it has been. I joined IMLS in January, already several months into Fiscal Year 2020, and while we had a budget for the coming

months, no one could anticipate the many changes that the COVID-19 pandemic would bring to our nation.

For IMLS, that meant using the additional dollars allocated to us by Congress through the CARES Act, answering the urgent call to action to support America's museums and libraries and the communities they serve. As students were sent home, classrooms emptied, and doors were shuttered, we were charged with addressing the digital divide that exists for so many who live in rural, remote, or underserved areas, and those without internet access at home.

To reach the areas most in need of support during the pandemic, we looked at poverty and unemployment numbers, diversity metrics, lack of a home computer or internet access, broadband availability, and COVID impact. We took a multi-pronged approach, beginning with direct allocations to each state and territory based on population, so that local communities could get the critical, unique support they required most. Through subgrants and other methods of allocating their funds, State Library Administrative Agencies reached more than 1,775 libraries, 80 museums, and 20 tribal entities, who focused their efforts on connectivity as well as helping libraries safely reopen their physical spaces.

To answer the call to support Native American and Native Hawaiian museum and library services, we created a special grant program, paired with IMLS CARES Act Grant program for museums and libraries. The resulting \$1.2 million in IMLS CARES Act grants awarded will help tribal libraries and cultural centers adapt to a changing environment by increasing the capacity of their lending programs, support Native American and Native Hawaiian cultural centers and museums that are developing alternative ways for visitors to access collections, and bolster vital community organizations' work to connect people and do good in a world that is hurting.

An additional \$13.8 million was awarded to libraries and museums across the nation to address local employment, students' and teachers' increased virtual educational needs, and solutions for households who lack internet access for telehealth, online schooling, job searching, and more. While this funding had impact, there was still so much need expressed beyond our funding limits, as the astonishing 1,701 applications we received requested over \$409 million in funding for pandemic response work.

IMLS is also charged with supporting the information needs of American citizens, and this was more vital than ever in FY 2020. We allocated a small percentage of CARES Act funds to support a new research collaboration to address the unique challenges of museums, libraries, those who work in them, and those who visit them.

The resulting REopening Archives, Libraries, and Museums (REALM) Project brought together library research institute OCLC and scientific nonprofit Battelle to study the effects of coronavirus on materials commonly found in libraries and museums. The project garnered \$2 million in additional public and private funding, and to date, seven rounds of testing, equipping museums and libraries with more scientific and research-based information to help them make decisions about quarantining materials for the wellbeing of their staff and patrons and encourage collaboration at the community level.

All this work was on top of our cyclical grant programs. We funded over \$233 million through our museum and library services grant programs and Grants to States, making over 600 awards to institutions across the country.

Like so many museums and libraries, our events and programs have gone from in-person to online. The National Book Festival, which IMLS has supported from the beginning, went virtual for an entire weekend. We co-hosted the second annual National Tribal Broadband Summit to develop real solutions for connecting Indian Country. And our National Student Poets Program successfully recognized five new young writers, who will represent five regions of America throughout the next year.

This year's AFR has a level of direct impact of which I'm immensely proud, and as we continue to develop more data-driven practices to inform our funding and strategic financial priorities, it proves to me that the dedicated IMLS staff and our communities of practice are more than capable of rising to any challenge with perseverance, resilience, creativity, and empathy. I am pleased to close out this fiscal year as we look to the next, and what new work has yet to be done.



Crosby Kemper
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.

IMLS helps to ensure that all Americans have access to museum, library, and information services. The agency invests in new and exploratory approaches, as well as proven and

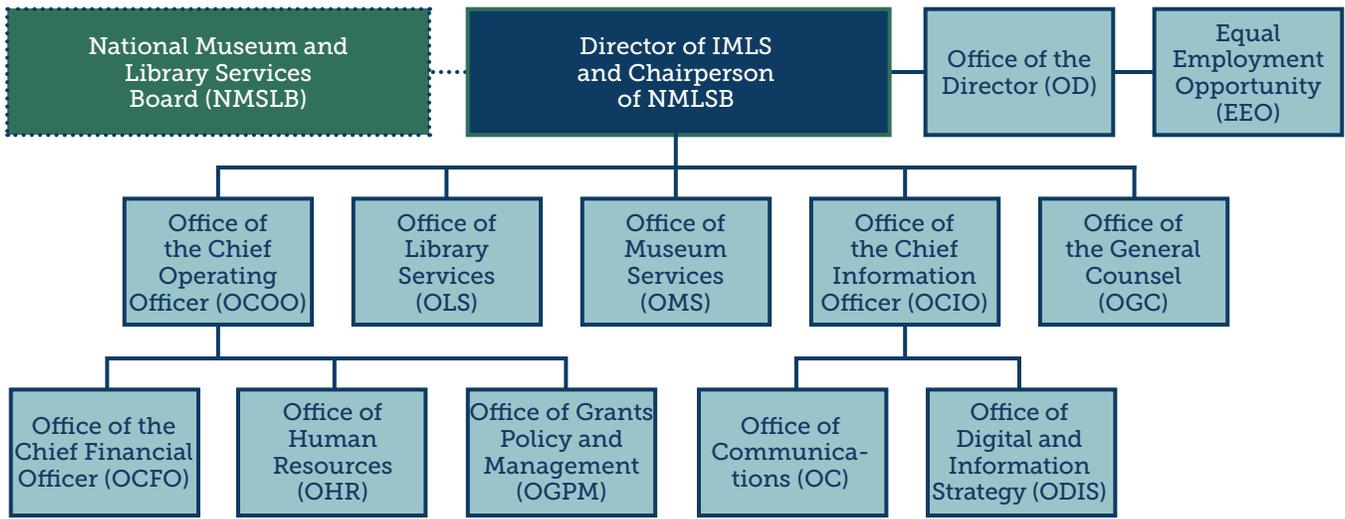
tested methods. IMLS funds work that advances collective knowledge, lifelong learning, and cultural and civic engagement. And the agency builds capacity within the museum and library fields to enable better service to communities and to enhance community decision-making by sharing trends and data.

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

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

This year, IMLS has chosen to produce an Agency Financial Report (AFR) and an Annual Performance Report (APR) and will include its FY 2020 APR with its Congressional Budget Justification. The agency will also post it on the IMLS website, www.imls.gov, in February 2021.

ORGANIZATIONAL CHART



..... Advisory Role

Updated January 2020

B. STRATEGIC GOALS

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

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

The agency’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

COVID-19 RESPONSE

CARES Act Grants

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Pub. L. 116-136 authorized funding for IMLS to assist States, Tribes, museums, and libraries to “prevent, prepare for, and respond to coronavirus...expand digital network access, purchase internet accessible devices, and provide technical support services” for the benefit of communities impacted by the public health emergency.

CARES Act Allotments to SLAAs

Process

Using a population-based formula, the Grants to States program awarded \$30 Million in CARES Act funds to the 59 State Library Administrative Agencies (SLAAs) in the 50 states, the District of Columbia, the U.S. Territories, and the Freely Associated States. IMLS distributed these awards on April 21, 2020, with funds remaining available until September 30, 2021. IMLS directed the SLAAs to prioritize 1) digital inclusion and related technical support; 2) other efforts that prevent, prepare for, and respond to COVID-19; and 3) reaching museum and tribal partners, in addition to traditionally eligible library entities, where appropriate. Apart from a waived Match requirement, all other Grants to States statutory provisions applied, including the four percent cap for administration, reporting requirements, and compliance with provisions such as Children’s Internet Protection Act (CIPA).

Highlights

Early informal CARES Act plans from the states indicated an emphasis on connectivity, including purchasing hotspots, devices with data plans, WiFi extenders and repeaters, and other equipment upgrades. In just five months after

SLAAs received the CARES Act awards, a national roll-up of publicly available information showed that 41 of 59 states and territories had already publicized their investments. High-level data as of September 2020 pointed to the following:

- Funds have reached at least 1,775 libraries, 80 museums, and 20 tribal entities
- 21 SLAAs were offering competitive CARES Act subawards, and some with multiple opportunities for a total of 30 programs
- 6 SLAAs were offering non-competitive CARES Act subawards, based on formulas of need or other distribution methods
- SLAAs had already announced over 1,750 subawards
- SLAAs and their subrecipients had already announced the purchase of over 4,000 devices, such as hotspots, laptops, and tablets
- 20 SLAAs were offering statewide programs, and some with multiple offerings for a total of 32 programs
- Connectivity efforts remained the primary CARES Act focus among the states, but 19 states had also purchased supplies to help libraries safely reopen their physical spaces

The CARES Act grants represented a significant shift for the Grants to States program in terms of SLAAs finding creative ways to reach museums and tribes, in addition to traditionally eligible libraries. While not all SLAAs had the flexibility to do so, as of the end of September, 11 states had found ways to incorporate museums into their CARES Act grantmaking, and 7 states had done the same for tribes. Of the more than 80 museums reached by the funds, 59 had received direct subawards of their own, which signaled a true sea change for the program.

Funding Snapshot

CARES Act Allotments to SLAAs

| NUMBER OF AWARDS | FUNDS AWARDED | MATCH/COST SHARE |
|------------------|---------------|------------------|
| 59 | \$30,000,000 | \$0* |

*Matching funds are not required for CARES Acts Grants.

IMLS CARES Act Grants for Native American/ Native Hawaiian Museum and Library Services

IMLS established this competitive funding opportunity to support Native American tribes and organizations that primarily serve Native Hawaiians in responding to the COVID-19 pandemic. IMLS encouraged project proposals that primarily addressed digital inclusion, related technical support and training, access to information, rehiring or reskilling staff, and other needs resulting from the pandemic. A total of \$1,200,000 was set aside for this program, and requests could range from \$10,000 to \$150,000. IMLS did not require cost share, and the period of performance could range from one to two years.

Highlights

The Institute of Museum and Library Services awarded \$1,200,000 in IMLS CARES Act Grants to 15 organizations to fund projects assisting Native American tribes and Native Hawaiian serving organizations through their tribal libraries and cultural centers to respond to the coronavirus pandemic. Organizations receiving awards are providing \$178,892 in non-federal matching funds. Funded projects were selected from 100 applications requesting \$9,772,100 in funding. Examples of funded projects include:

- The Monacan Indian Nation will implement the Museum COVID Response and Sustainability Project to reopen the museum and historic complex to visitors based on health and safety guidelines, promote museum collections and tribal history digitally, and plan for the future growth and accessibility of the museum and tribe's historic and cultural resources. The project staff will support these goals by creating and implementing a health and safety protocol and creating, producing, and publishing digital content, including a video on a new museum website and other media platforms.
- The Coushatta Tribe of Louisiana will modify open lands adjoining the tribal museum to create innovative outdoor areas and adaptations to existing exhibits to safely reopen the museum. This project will help disinfect the museum interior and reduce crowding inside the building by modifying existing exhibits to include both indoor and outdoor elements; developing outdoor work and demonstration areas for tribal artisans; developing new training curriculum for youth to serve as museum guides; installing outdoor hand-washing and safety stations for artisans and visitors; and installing outdoor viewing and seating areas for films and other events.
- The Zuni Public Library in the Pueblo of Zuni, New Mexico, will help address inequities in digital access that have been made apparent during the COVID-19 pandemic through their Solutions for the Future project. They will expand their program for lending students internet-accessible computers for home use; create increased online library programming so that activities interrupted by pandemic closures can be facilitated in students' homes; and offer services to students whose homes are not served by any Internet provider to act as an educational lifeline during school closures.
- The Confederated Tribes of Grand Ronde Community of Oregon will serve at-risk tribal elders and community members who were impacted by the COVID-19 pandemic by hiring a part-time library aide who will staff a mobile library for elders and others. The tribe also will purchase two laptops to create video stories, as well as eight iPads for a loan program, so more community members can access digital resources. Finally, they will contribute to improving library safety by purchasing plexiglass counter shields for the library, as well as a no-contact book return bin.

Funding Snapshot

| Number of Applications | Number of Awards | Funds Requested | Funds Awarded | Match/Cost Share |
|------------------------|------------------|-----------------|---------------|------------------|
| 100 | 15 | \$9,772,100 | \$1,200,000 | \$ 178,892 |

IMLS CARES Act Grants for Museums and Libraries

IMLS established this competitive funding opportunity to support libraries and museums in helping their communities respond to the COVID-19 pandemic. Based on the model of National Leadership Grants, IMLS encouraged project proposals that focused on preserving jobs, training staff, addressing the digital divide, planning for reopening, and providing technical support and capacity building for digital inclusion and engagement while prioritizing services for high-need communities. Applicants that developed projects addressing digital inclusion and related technical support were urged to define high-need communities on the basis of economic indicators—such as poverty rates, Supplemental Nutrition Access Program (SNAP) participation rates, and unemployment rates—and broadband availability and adoption. A total of \$13,800,000 was set aside for this program, and requests could range from \$25,000 to \$500,000. There was no cost share requirement, and the period of performance could range from one to two years.

Highlights

The Institute of Museum and Library Services awarded \$13,800,000 in IMLS CARES Act Grants to 68 museums and libraries to support their response to the coronavirus pandemic. Institutions receiving awards are providing \$1,753,470 in non-federal matching funds. Funded projects were selected from 1,701 applications requesting \$409,251,399.

Sixty-four percent of the awards came from organizations that were designated as museum entities, and many represent projects engaging libraries as partners. Museum award recipients represented a diverse range of disciplines and institution types, including art, science, natural history, institutes of higher education, HBCUs, history, and others.

Examples of the funded projects include:

- In response to high unemployment brought on by COVID-19, the Evanston Public Library's "Ready to Work: Bridging the Digital Divide for Tomorrow's Workforce" program will provide access to technology and resources that help patrons build the necessary skills to be job ready. The library will provide Ready-to-Work Starter Kits that will help close the digital divide, basic computer skill building through classroom courses and one-on-one sessions with Tech Tutors, skill building online tools that individuals are not able to afford themselves, and resource information to promote digital literacy.
- The Museum Association of New York will support 100 museums in high-needs locations in the state to help them respond to the COVID-19 pandemic by giving staff the tools and training to reach their communities virtually. The project will provide partners with hardware, software, and training to develop virtual programs focused on stories from their collections revealing cultural and racial diversity within their communities. Each museum will partner with a local library to develop, implement, assess, and revise at least two new programs, resulting in access to 200 new virtual programs for museums.
- The Charlotte Mecklenburg Library sought a tangible solution for the nearly 41 percent of households in the area who lack internet access for telehealth, online schooling, job searching and more. In partnership with the Charlotte Digital Inclusion Alliance and inspired by the BKYLNConnect Playbook, the library will pilot its Neighborhood W.I.S.P. (Wireless Internet Service Provider) Network to increase internet access in the county's West Boulevard corridor. In addition to receiving free internet with their library card, individuals will receive digital literacy training, and some may train as support technicians.

- The Intrepid Museum will develop and deliver virtual education programs to approximately 12,000 New York residents over two years. The museum will produce educator-ready resource sets for virtual teaching on 20 distinct multidisciplinary topics. Each set will include an interactive lesson plan, links to EdTech resources, and embedded formative assessment tools. The museum will share project materials with local and state library systems to address capacity challenges that some library systems are experiencing in their efforts to serve their audiences in this transitional time.
- The Howard University Gallery of Art will substantially expand its virtual services by making works in its collection accessible for viewing or study whether on exhibit or in storage. The gallery will provide comprehensive online research accessibility through a new collections database, create digital images of its collections, and produce an interactive 3-D virtual museum space. New educational programming will also be developed to include virtual exhibitions, artists talks, and curatorial lectures.

Funding Snapshot

TOTALS

| Number of Applications | Number of Awards | Funds Requested | Funds Awarded | Match/Cost Share |
|------------------------|------------------|-----------------|---------------|------------------|
| 1,701 | 68 | \$409,251,399 | \$13,800,000 | \$1,753,470 |

MUSEUMS

| Number of Applications | Number of Awards | Funds Requested | Funds Awarded | Match/Cost Share |
|------------------------|------------------|-----------------|---------------|------------------|
| 1,085 | 39 | \$261,526,558 | \$8,280,000 | \$1,068,427 |

LIBRARIES

| Number of Applications | Number of Awards | Funds Requested | Funds Awarded | Match/Cost Share |
|------------------------|------------------|-----------------|---------------|------------------|
| 616 | 29 | \$147,724,841 | \$5,520,000 | \$685,043 |

REopening Archives, Libraries, and Museums (REALM) Project

To provide information to libraries, archives, and museums about the important and existential problems facing them in the COVID-19 global pandemic, IMLS established a cooperative agreement with OCLC and Battelle. The project is drawing upon scientific research and Battelle laboratory work to produce, widely disseminate, and periodically update evidence-based information that can inform operational considerations for reducing the risk of transmission of SARS-CoV-2 through libraries, archive, and museums to their staff and visitors.

IMLS exercised its fundraising authorities to fund the project. As such, the REALM project was made possible in part with support from the Institute of Museum and Library Services, the Library of Congress, The Andrew W. Mellon Foundation, and the Carnegie Corporation of New York.

The project is conducting laboratory tests to assess the attenuation of SARS-CoV-2 on materials common in libraries, archives, and museums (LAM); assessing emergent published research for applicable scientific information which can be applied to the LAM community risk-based decision making; and providing a website and toolkits in the form of webinars, infographics, videos, and other materials with the goal of informing local policies, operations, and space configuration decisions that support reopening and operations within a SARS-CoV-2 environment. The project website (<https://www.oclc.org/realm/about.html>) contains the status of the project and its publications.

LIBRARY SERVICES

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

- enhance coordination among Federal programs that relate to library, education, and information services;
- promote continuous improvement in library services in all types of libraries in order to better serve the people of the United States;
- facilitate access to resources in all types of libraries for the purpose of cultivating an educated and informed citizenry;
- encourage resource sharing among all types of libraries for the purpose of achieving economical and efficient delivery of library services to the public;
- 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;
- 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;
- 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;
- 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;
- ensure the preservation of knowledge and library collections in all formats and enable libraries to serve their communities during disasters;
- enhance the role of libraries within the information infrastructure of the United States in order to support research, education, and innovation;
- promote library services that provide users with access to information through national, State, local, regional, and international collaborations and networks; and
- 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 U.S. territories of the Commonwealth of Puerto Rico, the U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands, and the Freely Associated States of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau (20 U.S.C. § 9131). Following the passage of the 2018 Act, FY 2020 was the first year that the three Freely Associated States submitted five-year plans, which IMLS approved before disseminating their allotments.

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 and freely associated states, from \$60,000 to \$100,000. Increases to the minimum allotments depend on increases to the program's overall budget, which grew by \$6M in FY 2020. Although this increase did not fully enact the new statutory minimum allotments, it did raise the base to \$795,384 for states, with \$60,000 for other entities. 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

States are subject to a statutory "maintenance of effort" requirement that helps ensure that federal funds do not supplant state investments. Library Administrative Agencies 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.

The 2018 Act modified the Special Rule, and FY 2019 was the last year of competitive funding to the Pacific Territories and Freely Associated States through this separate mechanism. To reduce administrative costs and burden, all entities that had been eligible for the program under the Special Rule received allotments through the Grants to States program in FY 2020.

Discretionary Grants

The Office of Library Services offered six funding opportunities in FY 2020:

- **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

The Office of Library Services (OLS) demonstrated exceptional flexibility and adaptability in response to the pandemic. OLS successfully executed its seven regular grant programs and two signature events, in addition to CARES Act grant programs.

OLS staff helped grantees navigate newly available COVID-19 flexibilities for their open awards, by processing over 200 extensions, budget revisions, and other scope changes.

Deadlines for four regular OLS grant programs were adjusted to support applicants transitioning to remote work and the delivery of library programs and services virtually.

Working remotely, OLS staff swiftly shifted to virtual delivery of its in-person events. This included review panels, National Student Poets Program, National Book Festival, and the Grants to States conference which was attended by 177 representatives from the states. This was a substantial increase from the 65 representatives from states that attend the in-person conference.

OLS also supported grantees that needed to adjust their projects in response to the pandemic.

- **Colusa**
The COVID-19 pandemic created challenging circumstance for the Colusa Indian Community Council (CICC) in meeting the needs of tribal youth in their remote, rural community in California. The CICC requested a change to their existing budget that allowed them to increase library bandwidth, purchase computers, hotspots and supplies to support a virtual classroom. Through the virtual classroom young people are able to get the academic, social and emotional support from their in-person afterschool tutoring programs.

- **UT-Austin**

A team of University of Texas-Austin researchers, exploring how rural libraries in Texas respond to natural disasters, will expand their research to explore how libraries are responding to the pandemic. This exploration will provide valuable insights into the resiliency of small libraries in the face of two different types of disaster events.

- **CALIFA**

The CALIFA Group will develop a series of virtual training modules and microlearning videos to prepare public library staff to respond to the COVID-19 pandemic and future crisis. Building upon previously funded IMLS projects from OCLC and the Public Library Association, CALIFA's training will enable libraries to identify and build important partnerships, position the library within the necessary health networks, understand health concerns of vulnerable populations, and assess the critical needs of impact communities.

- **State Library of North Carolina**

The State Library of North Carolina, in partnership with the N.C. Broadband Infrastructure Office and the Department of Public Instruction will pivot components of their homework gap project to remote delivery of digital literacy training for students and families engaged in virtual learning. They will implement synchronous and asynchronous digital skills and digital literacy workshops along with Digital Navigator pilots to provide group and individualized support. Librarians will receive increased training to assist them in transitioning programs and services to remote delivery.

Funding Snapshot

| Grants to States | | |
|------------------|---------------|------------------|
| NUMBER OF AWARDS | FUNDS AWARDED | MATCH/COST SHARE |
| 59 | \$166,803,000 | \$85,731,523* |

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

| Total Grants for All Discretionary Programs* | | | | |
|--|------------------|-----------------|---------------|------------------|
| NUMBER OF APPLICATIONS | NUMBER OF AWARDS | FUNDS REQUESTED | FUNDS AWARDED | MATCH/COST SHARE |
| 689 | 296 | \$85,610,826 | \$28,455,888 | \$4,944,887 |

*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 | MATCH/COST SHARE |
| 113 | 65 | 37 | \$32,652,404 | \$9,850,000 | \$1,650,724 |

| National Leadership Grants for Libraries* | | | | | |
|---|--------------------------------|------------------|-----------------|---------------|------------------|
| NUMBER OF PRELIMINARY PROPOSALS | NUMBER OF INVITED APPLICATIONS | NUMBER OF AWARDS | FUNDS REQUESTED | FUNDS AWARDED | MATCH/COST SHARE |
| 155 | 85 | 42 | \$41,412,946 | \$11,052,195 | \$2,836,024 |

| Accelerating Promising Practices for Small Libraries* | | | | |
|---|------------------|-----------------|---------------|------------------|
| NUMBER OF APPLICATIONS | NUMBER OF AWARDS | FUNDS REQUESTED | FUNDS AWARDED | MATCH/COST SHARE |
| 51 | 19 | \$3,106,424 | \$1,740,693 | \$242,680 |

*A funding opportunity within 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 | MATCH/COST SHARE |
| Basic Grants (non-competitive) | 175 | 172 | \$1,864,335 | \$1,834,336 | \$0* |
| Enhancement Grants | 37 | 23 | \$4,894,379 | \$3,010,492 | \$82,549 |
| Native Hawaiian | 8 | 3 | \$1,130,339 | \$418,172 | \$132,910 |
| Total | 220 | 198 | \$7,889,053 | \$5,263,000 | \$215,459 |

*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 2020:

- **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 received 784 applications in FY 2020 and supported 32% of the total applications in 46 states and the District of Columbia through its discretionary grant programs.
- The Inspire! Grants for Small Museums program, designed to encourage small institutions to apply for IMLS funding, generated 230 applications in FY 2020 (an increase of 14% from FY19). Thanks to the increased appropriation for MFA, an increased amount could be allocated to meet the capacity building needs of small museums through Inspire, which is a special initiative under MFA. IMLS was able to award 60 grants in FY 2020 (double the number of awards made in FY19) totaling \$2,516,805.
- The African American History and Culture grant program received 58 applications in FY 2020, a record increase in the number of applications in its fourteen-year history. IMLS awarded 22 grants with 36% of the grants going to HBCUs.
- A significant number of applicants in FY 2020 continued to seek support for diversity and inclusion, professional development initiatives, as well as data analysis, assessment, and evaluation. Across all grant programs, Collections and Learning remained consistent as the core areas of applicant need.
- 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 fourteenth year; a market analysis and opportunity assessment of museum capacity-building programs; and an analysis and synthesis of multi-year awarded grants. Despite the challenges posed by the pandemic, all three projects have been able to make significant progress and are now slated to be completed by the end of the 2020 calendar year. More details are included in the Policy Research, Policy Research, Analysis, Data Collection, and Dissemination section.
- The Museums Empowered professional development grant program benefitted from the increased FY 2020 appropriation for MFA. IMLS funded 21 awards totaling \$3,708,248.

- In order to address the great need to offer digital resources created by the pandemic in the museum community, IMLS also directed funds from the FY 2020 NLG-M grants to support three targeted projects which would make a significant difference in strengthening the digital capacity of museums:
 - » A supplement award to the Games for Change organization will allow Games for Change to equip 40 museums in cities critically affected by the COVID-19 pandemic with the tools to better connect with underserved teens. The project aims to provide museum educators with professional development in game design, forge a community of practice, strengthen museum ties to communities, and improve learning outcomes for youth. Over the course of one year, Games for Change will work with ten museums in New York, Los Angeles, Detroit, and Atlanta. At least 3,000 teens are expected to participate; creating and submitting hundreds of games to the Student Challenge on the theme of resilience.
 - » An award to the Association of Midwest Museums (AMM) will support a pilot program aimed at helping museums access hands-on digital media and technology training and best practices, bolstering the capacity of small, rural, and remote museums across the nation. Five additional regional museum associations will be collaborating on the planning and execution of the project. All training session recordings and supplementary resource toolkits will be organized in a Resource Hub website featuring an online community forum supported by student technology fellows. This 18-month project plans to train 5,000 museum staff and volunteers of small museums.
 - » An award to Newfields will enable the Museums for Digital Learning pilot project to expand its scope to Phase 2 with increased interactivity features for students, such as a collections hub, e-books, and gaming activities. More details are included in the Cooperative Agreements section.

Funding Snapshot

| Total Grants for All Discretionary Programs | | | | |
|---|------------------|-----------------|---------------|------------------|
| NUMBER OF APPLICATIONS | NUMBER OF AWARDS | FUNDS REQUESTED | FUNDS AWARDED | MATCH/COST SHARE |
| 784 | 252 | \$146,152,578 | \$38,514,040 | \$45,287,113 |

By Program

| Museums for America | | | | |
|------------------------|------------------|-----------------|---------------|------------------|
| NUMBER OF APPLICATIONS | NUMBER OF AWARDS | FUNDS REQUESTED | FUNDS AWARDED | MATCH/COST SHARE |
| 345 | 109 | \$80,235,240 | \$19,673,947 | \$30,953,582 |

| Inspire! Grants for Small Museums* | | | | |
|------------------------------------|------------------|-----------------|---------------|------------------|
| NUMBER OF APPLICATIONS | NUMBER OF AWARDS | FUNDS REQUESTED | FUNDS AWARDED | MATCH/COST SHARE |
| 230 | 60 | \$8,828,584 | \$2,516,805 | \$1,179,367 |

*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 | MATCH/COST SHARE |
| 56 | 21 | \$9,134,481 | \$3,708,248 | \$4,242,229 |

*A special funding opportunity within Museums for America.

| National Leadership Grants for Museums | | | | |
|--|------------------|-----------------|---------------|------------------|
| NUMBER OF APPLICATIONS | NUMBER OF AWARDS | FUNDS REQUESTED | FUNDS AWARDED | MATCH/COST SHARE |
| 67 | 19 | \$37,152,575 | \$8,112,040 | \$5,967,295 |

| Native American/Native Hawaiian Museum Services Program | | | | |
|---|------------------|-----------------|---------------|-------------------|
| NUMBER OF APPLICATIONS | NUMBER OF AWARDS | FUNDS REQUESTED | FUNDS AWARDED | MATCH/COST SHARE* |
| 28 | 21 | \$2,575,069 | \$1,772,000 | \$360,328 |

* 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 | MATCH/COST SHARE |
| 58 | 22 | \$8,226,629 | \$2,731,000 | \$2,584,312 |

CROSS-AGENCY INITIATIVE

Now in its fourth year, the Community Catalyst Initiative (CCI) challenges museums and libraries to transform how they collaborate with their communities towards improving wellbeing. The multipronged initiative launched in 2016 after an initial scan that documented community engagement activities conducted by museums and libraries and seeks to identify community assets they can leverage to enhance their contribution to the community's social wellbeing. In FY 2020, the agency provided supplements that allowed for deeper understanding of the impact of COVID-19 on the initiative and expanded the Social Wellbeing study which included additional funds to support the cohort level evaluation of the CCI Evaluation, technical assistance for grantees, and an expansion of the social wellbeing impact study.

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 2020, 141 museums in 40 states participated in MAP.
- The **Collections Assessment for Preservation (CAP)** program provides small and mid-sized museums with funding to assist with a study of all of the institution's collections, buildings, and building systems, as well as its policies and procedures relating to collections care. Participants who complete the program receive an assessment report with prioritized recommendations to improve collections care. The program is administered by the Foundation for Advancement in Conservation through a cooperative agreement with IMLS. In FY 2020, FAIC accepted 75 museums from 33 states into the program.
- **Museums for Digital Learning** enables museums of all sizes and disciplines to share digitized collections and other resources more broadly 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 development was completed with nine

resource kits created by the content partner museums. The ten educators tested the resource kits in the classrooms and have become valuable and needed assets when schools are looking for virtual resources. Ten additional museums have been onboarded who will be contributing their content to MDL, utilizing the standard templates. IMLS funded a grant to help the project move to phase 2 where it plans to increase the number of kits from 9 to 25 and the number of additional museum content partners from 10 to 35. The platform will also develop many interactive technology enhancements.

- **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 579 museums in 49 states, the District of Columbia, and the U.S. Virgin Islands, and has attracted over 2.8 million visitors. Despite museum closures and related challenges, the initiative has gained 14 additional museums during the pandemic.
- An interagency agreement with the U.S. Department of Education provided funding of \$1.9 million for IMLS to collaborate with the New York Hall of Science. The funding helped scale up work with eight museums across the country in the FY19-20 school year, sharing after-school STEM-based learning opportunities with underserved students in **21st Century Community Learning Centers**. The project trained more than 125 afterschool educators and engaged over 700 students in the first phase until the pandemic paused the program in the spring due to museum and school closures. The project is scheduled to continue in the upcoming months as the museums work with their 21st Century Learning Center partners to adapt the curriculum to offer some hybrid or virtual experiences.
- **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 Partners for Public Good (PPG), a business management consultant, IMLS completed conducting a field-wide survey and is conducting interviews and focus groups to gather comprehensive information on needs related to capacity building. The project will identify potential gaps in the suite of current capacity-building offerings and identify new opportunities and areas for growth. A final report due at the end of calendar year 2020 will include an analysis of the data collection, a prioritization of key findings, and recommendations for the museum field.
- 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 2020 the Poets’ appointment ceremony was held virtually for the first time (<https://youtu.be/KWc8amGORCs>).

- **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.

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

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 42 grants in 26 states, totaling \$12.8 million. IMLS is continuing to manage 20 of the awards that support collections preservation, totaling \$3,842,126.

DOI Technical Assistance/PR

The Recovery Support Function Leadership Group (RSFLG) is made up of multiple departments and agencies across the federal government that work together to help communities recover from a disaster. As a supporting agency of the Natural and Cultural Resources Support Function, two subject matter experts from IMLS traveled to Puerto Rico in FY 2020 to provide museum and library grant writing training for potential applicants through workshops presented in San Juan and Ponce. Participation in this activity was supported through an Interagency Reimbursable Work Agreement between FEMA and the Department of the Interior to support Hurricane Maria recovery efforts in Puerto Rico.

Serving New Americans

Since 2013 IMLS and the U.S. Citizenship and Immigration Services (USCIS) have supported 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. In FY 2020, IMLS and USCIS held three joint webinars for library and museum stakeholders.

National Book Festival

Through support to the **Library of Congress**, IMLS, along with the National Endowment for the Humanities, funded the National Book Festival's first virtual Roadmap to Reading, adapted from the long-running Parade of the States. In this 20th anniversary year of the festival, state libraries and Centers for the Book across the country created virtual booth content to 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. This year, the virtual festival also featured conversations between the IMLS director, NEH chairman, and Librarian of Congress; IMLS, LOC, and NEH staff with representatives from the Centers for the Book; and the IMLS director with authors Mark Doty and Jennifer Shapland.

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.

American Broadband Initiative

IMLS is a critical partner in the Administration's **American Broadband Initiative**, designed to identify and remove barriers to broadband access and digital resources. In collaboration with the **Departments of Interior (DOI) and Agriculture**, IMLS hosted a five-day, virtual National Tribal Broadband Summit. The Summit provided a unique opportunity for Tribal leaders, representatives of Tribal libraries and cultural programs, federal programs managers and policy-makers at multiple levels of government to come together and share their innovations in expanding broadband access and adoption in Tribal communities. IMLS's Director opened the convening with the Chairman of the **Federal Communications Commission (FCC)** and DOI's Assistant Secretary for Indian Affairs; and provided a keynote for the audience. IMLS engaged in five panels to support tangible results from the Summit. IMLS also partnered with the FCC on library resources for COVID response and on a workshop for engaging U.S. libraries as community hubs to drive digital adoption and literacy.

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. The agency completed a commissioned study that examined the utility of introducing sampling for field testing and topical modules. During this same period, IMLS began piloting a new approach to survey development that intends to produce better quality data with reduced respondent reporting burden by systematically sequencing concept development before data element development. The pilot involved cognitive interviews with nine local library systems to assess the feasibility of introducing new data elements for measuring several facets associated with the delivery of program in the libraries for community residents. Additionally, IMLS continued to advance reforms in disseminating evidence accumulated from PLS data with the release of two separate reports associated with the FY 2017 data collection. The first report focused on national and state trends; the second focused on comparisons based on locale and population size.
- **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 April 2020, IMLS

released the annual report for the FY 2018 biennial collection, which highlighted how SLAAs' administrative locations within their jurisdiction's government correspond to a number of metrics involving financing, staffing, and services offered to libraries and library cooperatives.

- 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. The evaluators have completed analyzing the administrative data,

conducting the field and stakeholder surveys and interviews and will present the final report in FY 2021.

- 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. The contractors have completed analyzing the administrative data for awarded grants from 2014 to 2018, developing a theory of change and logic model for the portfolios and developing illustrative project examples under each portfolio. The final synthesis report is scheduled to be completed in FY 2021.

D. BRIEF ANALYSIS OF FINANCIAL STATEMENTS

INTRODUCTION AND FIGURES

Underlying the agency's many programmatic achievements is its commitment to organizational excellence and sound financial management. IMLS has a fiduciary and stewardship responsibility to manage its federal funds effectively and efficiently and comply with federal financial management guidance. As part of this responsibility, the agency prepares annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The principal financial statements have been prepared to report the financial position and results of operations for IMLS. The FY 2020 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 2020.

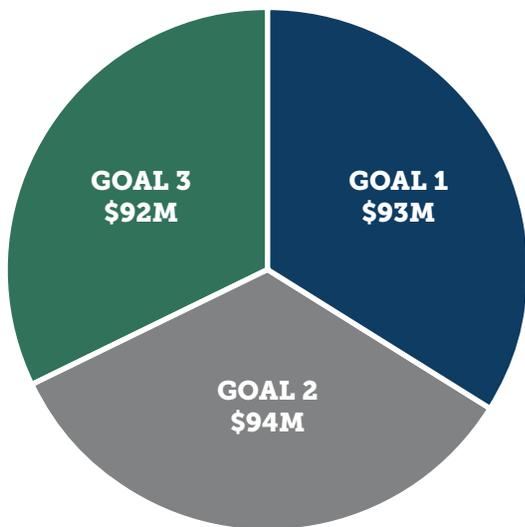
Figure 1: IMLS FY 2020 Financial Position (\$ in millions)

| Net Financial Condition | FY 2020 (\$) | FY 2019 (\$) | Increase/Decrease (\$) | Change (%) |
|-------------------------|--------------|--------------|------------------------|------------|
| ASSETS | 379.4 | 314.7 | 64.7 | 20.6 |
| LIABILITIES | 43 | 37 | 6 | 16.2 |
| NET POSITION | 336.4 | 277.7 | 58.7 | 21.1 |
| NET COST | 243.4 | 232 | 11.4 | 4.9 |

In FY 2020 IMLS received increased appropriations of \$10M for annual operations. Congress also enacted the CARES Act resulting in IMLS receiving supplemental appropriations of \$50M to prevent, prepare for, and respond to the coronavirus. These increases resulted 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 2020 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 2020 grant award obligations by Strategic Goal and includes awards made as part of the supplemental funding IMLS received in the CARES Act to support libraries and museums in helping their communities respond to the COVID-19 pandemic.

Figure 2: FY 2020 Grant Obligations



Goal 1: Promote Lifelong Learning

Goal 2: Build Capacity

Goal 3: Increase Public Access

COVID-19 FINANCIAL POSITION

The CARES Act, P.L. 116-136, provided \$50 million in funding to IMLS to prevent, prepare for, and respond to coronavirus, including Grants to States, territories, and tribes to expand digital network access, purchase internet accessible devices, and provide technical support services. The funding has been appropriated as a multi-year fund which will expire September 30, 2021. In FY 2020 IMLS incurred \$46M in obligations for awards to museums, libraries, and research-based information for these institutions to mitigate the impact of COVID-19 in the delivery of their essential services. The remaining budgetary resources are available to continue research and evaluation projects related to the impact of the virus and administrative support of the grant awards.

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 AND COMPLIANCE WITH LAWS

OVERALL INTERNAL CONTROL

In FY 2020, IMLS demonstrated its continued commitment to maintaining strong internal controls. Internal control is an integral component of effective agency management, providing reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of reporting, and compliance with laws and regulations. The Federal Managers' Financial Integrity Act of 1982 (FMFIA) establishes management's responsibility to assess and report on internal accounting and administrative controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The FMFIA requires federal agencies to establish controls that reasonably ensure obligations and costs are in compliance with applicable laws; funds, property and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to permit the preparation of reliable reports and to maintain accountability over the assets. The FMFIA also requires agencies to annually assess whether financial management systems conform to related requirements (FMFIA Section 4). Guidance for implementing the FMFIA is provided through Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and the revised *Appendix A, Management of Reporting and Data Integrity Risk*).

ANNUAL ASSURANCE STATEMENT

IMLS management is responsible for establishing and maintaining an effective system of internal control that meets the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). In accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, IMLS conducted its annual assessment of its system of internal control. Based on the results of this assessment, IMLS can provide reasonable assurance that its system of internal control over operations, reporting, and compliance was operating effectively as of September 30, 2020.

IMLS management is also responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting. Based on the results of its annual assessment of internal controls, IMLS can provide reasonable assurance that internal controls and procedures over financial reporting were operating effectively during the year ended September 30, 2020.



Crosby Kemper, III
Director
November 10, 2020



Chris Catignani
CFO and COO
November 10, 2020

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL

The Director's and CFO's FY 2020 annual assurance statement for FMFIA provides reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2020. The associated objectives are: effective and efficient operations; compliance with applicable laws and regulations; and reliability of reporting.

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

OTHER REVIEWS

Federal Information Security Modernization Act (FISMA)

FISMA requires federal agencies to "develop, document, and implement an agency-wide information security program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source." In addition, FISMA requires federal agencies to conduct annual assessments of their information security and privacy programs, to develop and implement remediation efforts for identified weaknesses and vulnerabilities, and to report compliance to OMB. An independent external auditor and IMLS's Chief Information Officer perform a joint review of the agency's compliance with FISMA requirements each year. IMLS submitted its FY 2020 report to OMB on October 30, 2020.

SUMMARY OF CURRENT FINANCIAL SYSTEM AND FUTURE STRATEGIES

In FY 2020, IMLS continued to work with its Federal Shared Service Provider, the Department of Transportation's Enterprise Service Center (ESC), to enhance its existing systems. The IMLS is also continuing to improve efficiencies and plans to build an automated interface of procurement transactions into the agency's financial accounting system. The implementation of the new system will provide integrated acquisition management from purchase requisition routing to obligation of funds. The new procurement system will strengthen internal controls over procurement activities and streamline processes across the agency.

SECTION 2

Financial 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 Kemper in presenting the Institute's FY 2020 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 fifteenth 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 2020, 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 fully implemented eGMS grants management system.

In FY 2020 the agency leveraged eGMS 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. In FY 2021, the agency is planning to convert to an acquisition system that is fully integrated with the financial accounting system. This investment will position the agency to improve forecasting, further strengthen the funds control process, and reduce reporting cycle times.

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 and Chief Operating Officer, November 12, 2020

REPORT OF THE INDEPENDENT AUDITORS

AUDITORS' REPORT



Institute of Museum and Library Services

Audit of Financial Statements

**As of and for the Years Ended
September 30, 2020 and 2019**

Submitted By

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



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Independent Auditor's Report

Crosby Kemper III, 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 consolidated 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 consolidated 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 (RSI)

Accounting principles generally accepted in the United States of America require that RSI, including Management's Discussion and Analysis, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board 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 RSI 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 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 Payment Integrity Information Act of 2019, 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, 2020 and 2019, 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.

Leon Snead & Company, P.C.

November 12, 2020



Connecting People to Information and Ideas

November 10, 2020

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 2020 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,

Crosby Kemper, III
Director

Cc: Chris Catignani, Chief Financial Officer and Acting Chief Operating Officer

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
BALANCE SHEET
As of September 30, 2020 and 2019
(in dollars)

| Assets: | <u>2020</u> | <u>2019</u> |
|--|------------------------------|------------------------------|
| Intragovernmental: | | |
| Fund Balance with Treasury (Note 2) | \$ 376,635,940 | \$ 309,053,663 |
| Accounts Receivable | - | - |
| Advances From Federal Sources (Note 4) | 122,425 | 163,073 |
| Total intragovernmental | <u>376,758,365</u> | <u>309,216,736</u> |
| | | |
| General property, plant and equipment, net (Note 3) | 695,442 | 873,128 |
| Other - Grant Advances (Note 4) | 1,974,073 | 4,570,373 |
| Total assets | <u>\$ 379,427,880</u> | <u>\$ 314,660,237</u> |
| | | |
| Liabilities: | | |
| Intragovernmental: | | |
| Accounts Payable | \$ 1,781 | \$ 620 |
| Other (Note 6) | 8,297,988 | 5,996,114 |
| Total intragovernmental | <u>8,299,769</u> | <u>5,996,734</u> |
| | | |
| Accounts payable | 313,681 | 228,767 |
| Other (Note 6) | 1,122,349 | 824,705 |
| Other - Grant Accrual (Note 6) | 33,313,629 | 29,925,632 |
| Total liabilities | <u>43,049,428</u> | <u>36,975,838</u> |
| | | |
| Commitments and contingencies | - | - |
| | | |
| Net position: | | |
| Unexpended appropriations - All Other Funds | \$ 336,353,619 | \$ 278,188,207 |
| Cumulative results of operations - Funds from Dedicated Collections (Note 8) | 879,892 | 75,272 |
| Cumulative results of operations - All Other Funds | (855,059) | (579,080) |
| Total Net Position - Funds from Dedicated Collections (Note 8) | <u>879,892</u> | <u>75,272</u> |
| Total Net Position - All Other Funds | 335,498,560 | 277,609,127 |
| Total Net Position | <u>336,378,452</u> | <u>277,684,399</u> |
| Total liabilities and net position | <u>\$ 379,427,880</u> | <u>\$ 314,660,237</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, 2020 and 2019
(in dollars)

| | 2020 | | | 2019 | | |
|--|--|----------------------------------|-----------------------|--|----------------------------------|-----------------------|
| | Funds from Dedicated Collections (Combined (Note 8)) | All Other Funds (Combined) | Consolidated Total | Funds from Dedicated Collections (Combined (Note 8)) | All Other Funds (Combined) | Consolidated Total |
| Unexpended Appropriations: | | | | | | |
| Beginning Balance | \$ - | \$ 278,188,207 | \$ 278,188,207 | \$ - | \$ 270,814,839 | \$ 270,814,839 |
| Adjustments: | | | | | | |
| Changes in accounting principles | - | - | - | - | - | - |
| Corrections of errors | - | - | - | - | - | - |
| Beginning Balance, as adjusted | - | 278,188,207 | 278,188,207 | - | 270,814,839 | 270,814,839 |
| Budgetary Financing Sources: | | | | | | |
| Appropriations received | - | 302,000,000 | 302,000,000 | - | 242,000,000 | 242,000,000 |
| Appropriations transferred in/out | - | - | - | - | - | - |
| Other adjustments | - | (1,898,220) | (1,898,220) | - | (3,188,482) | (3,188,482) |
| Appropriations used | - | (241,936,368) | (241,936,368) | - | (231,438,150) | (231,438,150) |
| Total Budgetary Financing Sources | - | 58,165,412 | 58,165,412 | - | 7,373,368 | 7,373,368 |
| Total Unexpended Appropriations | - | 336,353,619 | 336,353,619 | - | 278,188,207 | 278,188,207 |
| Cumulative Results From Operations: | | | | | | |
| Beginning Balances | 75,272 | (579,081) | (503,811) | 88,694 | (486,049) | (397,355) |
| Adjustments: | | | | | | |
| Changes in accounting principles | - | - | - | - | - | - |
| Corrections of errors | - | - | - | - | - | - |
| Beginning Balance, as adjusted | 75,272 | (579,081) | (503,811) | 88,694 | (486,049) | (397,355) |
| Budgetary Financing Sources: | | | | | | |
| Other adjustments | - | - | - | - | - | - |
| Appropriations used | - | 241,936,368 | 241,936,368 | - | 231,438,150 | 231,438,150 |
| Nonexchange revenue | - | - | - | - | - | - |
| Donations and forfeitures of cash and cash equivalents | 1,600,173 | - | 1,600,173 | 3,212 | - | 3,212 |
| Transfers in/out without reimbursement | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Other Financing Sources (Nonexchange): | | | | | | |
| Donations and forfeitures of property | - | - | - | - | - | - |
| Transfers in/out without reimbursement | - | - | - | - | - | - |
| Imputed financing | - | 380,524 | 380,524 | - | 501,273 | 501,273 |
| Other | - | - | - | - | - | - |
| Total Financing Sources | 1,600,173 | 242,316,892 | 243,917,065 | 3,212 | 231,939,423 | 231,942,635 |
| Net Cost of Operations | 795,553 | 242,592,869 | 243,388,422 | 16,634 | 232,032,454 | 232,049,088 |
| Net Change | 804,620 | (275,978) | 528,642 | (13,422) | (93,031) | (106,453) |
| Cumulative Results of Operations | 879,892 | (855,059) | 24,833 | 75,272 | (579,080) | (503,808) |
| Net Position | \$ 879,892 | \$ 335,498,560 | \$ 336,378,452 | \$ 75,272 | \$ 277,609,127 | \$ 277,684,399 |

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, 2020 and 2019
(in dollars)

| Program costs: | <u>2020</u> | <u>2019</u> |
|--|-----------------------|-----------------------|
| Goal 1: Promote Lifelong Learning | | |
| Gross costs | \$ 74,027,505 | \$ 70,966,994 |
| Less: Earned revenue | <u>650,749</u> | <u>766,100</u> |
| Net Program Costs | <u>73,376,756</u> | <u>70,200,894</u> |
| Goal 2: Build Capacity | | |
| Gross costs | \$ 76,968,351 | \$ 70,996,480 |
| Less: Earned revenue | <u>-</u> | <u>-</u> |
| Net Program Costs | <u>76,968,351</u> | <u>70,996,480</u> |
| Goal 3: Increase Public Access | | |
| Gross costs | \$ 76,803,429 | \$ 74,630,591 |
| Less: Earned revenue | <u>1,010,123</u> | <u>221,580</u> |
| Net Program Costs | <u>75,793,306</u> | <u>74,409,011</u> |
| Goal 4: Achieve Excellence | | |
| Gross costs | \$ 17,255,831 | \$ 16,477,650 |
| Less: Earned revenue | <u>5,822</u> | <u>34,947</u> |
| Net Program Costs | <u>17,250,009</u> | <u>16,442,703</u> |
| Net Cost of Operations (Note 9) | <u>\$ 243,388,422</u> | <u>\$ 232,049,088</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, 2020 and 2019

(in dollars)

| | 2020 | 2019 |
|---|----------------|----------------|
| | Budgetary | Budgetary |
| Budgetary Resources | | |
| Unobligated balance from prior year budget authority, net (discretionary and mandatory) | \$ 4,871,716 | \$ 4,738,312 |
| Appropriations (discretionary and mandatory) | 303,600,173 | 242,003,212 |
| Borrowing authority (discretionary and mandatory) | - | - |
| Contract authority (discretionary and mandatory) | - | - |
| Spending authority from offsetting collections (discretionary and mandatory) | 4,272,126 | 4,441,395 |
| Total budgetary resource: | \$ 312,744,015 | \$ 251,182,919 |
| Status of Budgetary Resources | | |
| New obligations and upward adjustments (total) | \$ 303,439,449 | \$ 246,362,268 |
| Unobligated balance, end of year: | | |
| Apportioned, unexpired accounts | 5,316,255 | 1,190,966 |
| Exempt from apportionment, unexpired accounts | 173,042 | 72,869 |
| Unapportioned, unexpired accounts | 481,815 | 277,870 |
| Unexpired unobligated balance, end of year | 5,971,112 | 1,541,705 |
| Expired unobligated balance, end of year | 3,333,454 | 3,278,946 |
| Unobligated balance, end of year (total) | 9,304,566 | 4,820,651 |
| Total budgetary resource: | \$ 312,744,015 | \$ 251,182,919 |
| Outlays, net | | |
| Outlays, net (total) (discretionary and mandatory) | \$ 234,119,676 | \$ 227,978,479 |
| Distributed offsetting receipts (-) | (1,600,173) | (3,212) |
| Agency outlays, net (discretionary and mandatory) | \$ 232,519,503 | \$ 227,975,267 |

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2020 and 2019

(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, 2020 and 2019

(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. Revenue 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, 2020 and 2019

(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, 2020 and 2019

(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, 2020 and 2019
(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.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2020 and 2019

(in Dollars)

Audited

Note 2: Fund Balance with Treasury

Status of Fund Balance with Treasury

| | 2020 |
|--|-----------------------|
| Unobligated Balance | |
| Available - Funds From Dedicated Collections | \$ 173,042 |
| Available - All Other Funds | 742,899 |
| Available - CARES Act Funds | 4,573,356 |
| Unavailable- No Year / Admin | 203,945 |
| Unavailable- No Year / Program | 277,870 |
| Unavailable- Annual Funds | 3,333,454 |
| Unavailable- Miscellaneous Receipts | - |
| Obligated Balance not yet Disbursed | <u>367,331,374</u> |
| Total | <u>\$ 376,635,940</u> |

Status of Fund Balance with Treasury

| | 2019 |
|-------------------------------------|--------------------|
| 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> |

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2020 and 2019

(in Dollars)

Audited

Note 3: General Property, Plant & Equipment

| Major Class | 2020 | | |
|--------------------------------|--------------------------|---------------------------------|-----------------------|
| | Acquisition Value | Accumulated Amortization | Net Book Value |
| Leasehold Improvements | \$ 888,936 | \$ 407,429 | \$ 481,507 |
| IT Equipment | 415,574 | 415,574 | - |
| Office Furniture and Equipment | <u>620,902</u> | <u>406,967</u> | <u>213,935</u> |
| Total PP&E | <u>\$ 1,925,412</u> | <u>\$ 1,229,970</u> | <u>\$ 695,442</u> |

| 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 | <u>620,902</u> | <u>318,175</u> | <u>302,727</u> |
| Total PP&E | <u>\$ 1,925,412</u> | <u>\$ 1,052,284</u> | <u>\$ 873,128</u> |

The leasehold improvements which were recorded in FY 2016 represent capitalized costs incurred as part of entering into 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 and the Office Furniture and Equipment 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, 2020 and 2019
(in Dollars)
Audited

Note 4: Other Assets

| | <u>2020</u> | <u>2019</u> |
|----------------------------|---------------------|---------------------|
| Intragovernmental Advances | \$ 122,425 | \$ 163,073 |
| Grant Advances | <u>1,974,073</u> | <u>4,570,373</u> |
| Total Other Assets | <u>\$ 2,096,498</u> | <u>\$ 4,733,446</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 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, 2020. Grantees are authorized by OMB to request advances toward grant awards. IMLS policy states that advances are limited to the recipient's immediate cash needs and must be fully disbursed within 30 days. Grantees are required to report on the status of funds paid in advance by submitting a notice or a request for advance or reimbursement within 30 days of receipt. Significant differences in year to year comparisons can occur depending on fluctuations in the amount of advance requests by grantees in the Grants To States program at the end of a period.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2020 and 2019

(in Dollars)

Audited

Note 5: Liabilities Not Covered by Budgetary Resources

| | 2020 |
|--|-----------------------------|
| Intragovernmental: | |
| Deferred rent expense | \$ 754,057 |
| Other unfunded employment | 41,887 |
| Total Intragovernmental | <u>795,944</u> |
| Accounts payable | - |
| Accrued unfunded leave | 754,556 |
| Misc. Receipts payable to Treasury | - |
| Total liabilities not covered by budgetary resources | <u>1,550,500</u> |
| Total liabilities covered by budgetary resources | 41,498,928 |
| Total liabilities not requiring budgetary resources | - |
| Total liabilities | <u><u>\$ 43,049,428</u></u> |
| | 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> |

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, 2020 and 2019

(in Dollars)

Audited

Note 6: Other Liabilities

| | 2020 | | |
|---------------------------------|-------------------|----------------------|----------------------|
| | Non-Current | Current | Total |
| Intragovernmental | | | |
| Deferred rent expense | \$ 616,956 | \$ 137,101 | \$ 754,057 |
| Liability for prepayments | - | 7,402,319 | 7,402,319 |
| Employer contributions & PR tax | - | 141,612 | 141,612 |
| Misc Receipts due to Treasury | - | - | - |
| Total Intragovernmental | <u>\$ 616,956</u> | <u>\$ 7,681,032</u> | <u>\$ 8,297,988</u> |
| Public | | | |
| Liability for prepayments | \$ - | \$ - | \$ - |
| Accrued pay and benefits | - | 1,107,520 | 1,107,520 |
| Employer contributions & PR tax | - | 14,829 | 14,829 |
| Grant accrual | - | 33,313,629 | 33,313,629 |
| Total Public | <u>\$ -</u> | <u>\$ 34,435,978</u> | <u>\$ 34,435,978</u> |
| Total Other Liabilities | <u>\$ 616,956</u> | <u>\$ 42,117,010</u> | <u>\$ 42,733,966</u> |
| | | | |
| | 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 contributions & PR tax | - | 109,134 | 109,134 |
| Unbilled assets | - | - | - |
| Misc Receipts due to Treasury | \$ - | \$ - | \$ - |
| Total Intragovernmental | <u>\$ 754,057</u> | <u>\$ 5,242,057</u> | <u>\$ 5,996,114</u> |
| Public | | | |
| Accrued pay and benefits | - | 812,936 | 812,936 |
| Employer contributions & PR tax | - | 11,769 | 11,769 |
| Grant accrual | - | 29,925,632 | 29,925,632 |
| Total Public | <u>\$ -</u> | <u>\$ 30,750,337</u> | <u>\$ 30,750,337</u> |
| Total Other Liabilities | <u>\$ 754,057</u> | <u>\$ 35,992,394</u> | <u>\$ 36,746,451</u> |

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 2019 to FY 2020 was primarily driven by reimbursable agreements with the National Park Service. Increases in overall program funding including CARES Act funding, reimbursable agreements, and Grants To States data call accrual amounts 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, 2020 and 2019
(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, 2020 and 2019

(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>2020</u> | <u>2019</u> |
|--------------------------------------|-------------------|--------------------|
| Balance Sheet | | |
| Assets | | |
| Fund Balance with Treasury | \$ 973,717 | \$ 75,272 |
| Investments, net | - | - |
| Other assets | - | - |
| Total assets | <u>\$ 973,717</u> | <u>\$ 75,272</u> |
| Liabilities and Net Position | | |
| Other liabilities | \$ 93,825 | \$ - |
| Cumulative results of operations | <u>879,892</u> | <u>75,272</u> |
| Total liabilities and net position | <u>\$ 973,717</u> | <u>\$ 75,272</u> |
| Statement of Net Cost | | |
| Gross program costs | \$ (795,553) | \$ (16,634) |
| Less: Donated Revenue | <u>1,600,173</u> | <u>3,212</u> |
| Net Program Costs | <u>\$ 804,620</u> | <u>\$ (13,422)</u> |
| Statement of Changes in Net Position | | |
| Net position beginning of period | \$ 75,272 | \$ 88,694 |
| Net cost of operations | <u>804,620</u> | <u>(13,422)</u> |
| Net position end of period | <u>\$ 879,892</u> | <u>\$ 75,272</u> |

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2020 and 2019
(in Dollars)
Audited

Note 9 Suborganization Program Costs/Program Costs by Segment

| | 2020 | | | | |
|--|---------------------------------|---------------------------------|--------------------------|-----------------------|-----------------------|
| Program Costs: | Library State Grants | Library Other Grants | Museum Grants | Administrative | Total |
| Goal 1: Promote Lifelong Learning | | | | | |
| Gross Costs | \$ 55,715,295 | \$ 7,280,016 | \$ 10,794,226 | \$ 237,968 | \$ 74,027,505 |
| Less: Earned Revenue | <u>-</u> | <u>-</u> | <u>650,749</u> | <u>-</u> | <u>650,749</u> |
| Net Program Costs | <u>\$ 55,715,295</u> | <u>\$ 7,280,016</u> | <u>\$ 10,143,477</u> | <u>\$ 237,968</u> | <u>\$ 73,376,756</u> |
| Goal 2: Build Capacity | | | | | |
| Gross Costs | \$ 55,715,295 | \$ 11,192,999 | \$ 9,813,180 | \$ 246,877 | \$ 76,968,351 |
| Less: Earned Revenue | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Program Costs | <u>\$ 55,715,295</u> | <u>\$ 11,192,999</u> | <u>\$ 9,813,180</u> | <u>\$ 246,877</u> | <u>\$ 76,968,351</u> |
| Goal 3: Increase Public Access | | | | | |
| Gross Costs | \$ 57,403,636 | \$ 6,466,520 | \$ 12,685,548 | \$ 247,725 | \$ 76,803,429 |
| Less: Earned Revenue | <u>-</u> | <u>-</u> | <u>1,010,123</u> | <u>-</u> | <u>1,010,123</u> |
| Net Program Costs | <u>\$ 57,403,636</u> | <u>\$ 6,466,520</u> | <u>\$ 11,675,425</u> | <u>\$ 247,725</u> | <u>\$ 75,793,306</u> |
| Goal 4: Achieve Excellence | | | | | |
| Gross Costs | \$ - | \$ - | \$ - | \$ 17,255,831 | \$ 17,255,831 |
| Less: Earned Revenue | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,822</u> | <u>5,822</u> |
| Net Program Costs | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,250,009</u> | <u>\$ 17,250,009</u> |
| Net Cost of Operations | <u>\$ 168,834,226</u> | <u>\$ 24,939,535</u> | <u>\$ 31,632,082</u> | <u>\$ 17,982,579</u> | <u>\$ 243,388,422</u> |

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended September 30, 2020 and 2019
(in Dollars)
Audited

2019

| Program Costs: | 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 | <u>-</u> | <u>-</u> | <u>766,100</u> | <u>-</u> | <u>766,100</u> |
| 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 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 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 | <u>-</u> | <u>-</u> | <u>221,580</u> | <u>-</u> | <u>221,580</u> |
| 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 | <u>-</u> | <u>-</u> | <u>-</u> | <u>34,947</u> | <u>34,947</u> |
| 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, 2020 and 2019
(in Dollars)
Audited

Note 10: Exchange Revenues

Exchange Revenue in the amount of \$1,666,694 and \$1,022,627 was recorded in FY 2020 and FY 2019, respectively.

The amount of exchange revenue in FY 2020 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 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.

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, 2020 and 2019
(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, 2020 and 2019

(in Dollars)

Audited

Note 12: Undelivered Orders at the End of the Period

| | 2020 | | |
|-----------------------------|---------------------|-----------------------|-----------------------|
| | Federal | Non-Federal | Total |
| Undelivered orders - paid | \$ 122,425 | \$ 1,974,073 | \$ 2,096,498 |
| Undelivered orders - unpaid | <u>1,071,208</u> | <u>332,397,655</u> | <u>333,468,863</u> |
| Total undelivered orders | <u>\$ 1,193,633</u> | <u>\$ 334,371,728</u> | <u>\$ 335,565,361</u> |

| | 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> |

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
As of September 30, 2020 and 2019
(in Dollars)
Audited

Note 13: Explanation of Differences between the SBR and the Budget of the U.S. Government

The President's Budget for fiscal year 2021, published in February of 2020, included IMLS actual budget amounts for fiscal year 2019 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/2020/02/oia_fy21.pdf . Actual numbers for fiscal year 2020 will be included in the President's Budget for fiscal year 2022, scheduled to be released in February 2021. 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 2019 Statement of Budgetary Resources and the fiscal year 2019 enacted amounts reported in the fiscal year 2021 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 2019 (in Millions of Dollars) | Budgetary Resources | New Obligations & Upward Adjustments (Total) | Distributed Offsetting Receipts | Net Outlays |
|--|---------------------|--|---------------------------------------|-------------|
| Budget of the U.S. Government | \$246 | \$246 | \$0 | \$228 |
| IMLS Statement of Budgetary Resources | \$251 | \$246 | \$0 | \$228 |
| Differences | \$5 | \$0 | \$0 | \$0 |

INSTITUTE OF MUSEUM AND LIBRARY SERVICES
NOTES TO THE FINANCIAL STATEMENTS
As of September 30, 2020 and 2019
(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.

| | 2020 | 2019 |
|---|-----------------|-----------------|
| Collections for IMLS projects funded in prior years | \$ 1,965 | \$ 3,091 |
| Total cash collections | <u>\$ 1,965</u> | <u>\$ 3,091</u> |
| Disposition of collections: | | |
| Transferred to Treasury (general fund) | \$ 1,965 | \$ 3,091 |
| 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, 2020 and 2019
(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 2020, IMLS has received \$1,600,173 in total contributions which consists primarily of a \$1,500,000 grant from The Andrew W. Mellon Foundation to support materials research for collections care and the reopening of libraries and museums during the COVID-19 pandemic. In FY 2019, IMLS received \$3,212 in total contributions.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2020 and 2019

(in Dollars)

Audited

Note 16: Reconciliation of Net Cost to Net Outlays

| | 2020 | | |
|---|-----------------------|-----------------------|-----------------------|
| | Federal | Non-Federal | Total |
| Net Operating Cost | \$ 3,612,937 | \$ 239,775,485 | \$ 243,388,422 |
| Components of Net Operating Cost Not Part of the Budgetary Outlays | | | |
| Depreciation, Amortization, and Depletion | - | (177,687) | (177,687) |
| Future Funded Expenses | - | - | - |
| Increase/(decrease) in assets not affecting Budget Outlays: | | | |
| Accounts Receivable | - | - | - |
| Advances and Prepayments | (40,648) | (2,596,299) | (2,636,947) |
| (Increase)/decrease in liabilities not affecting Budget Outlays: | | | |
| Accounts Payable | (1,161) | (84,912) | (86,073) |
| Disbursements in Transit | - | - | - |
| Liability for Advances and Prepayments | (2,406,497) | - | (2,406,497) |
| Accrued Funded Payroll and Leave | - | (66,745) | (66,745) |
| Employer Contributions and Payroll Taxes Payable | (24,926) | (3,060) | (27,986) |
| Other Liabilities With Related Budgetary Obligations | - | (3,387,998) | (3,387,998) |
| Unfunded Leave | - | (227,838) | (227,838) |
| Other Unfunded Employment Related Liability | (7,553) | - | (7,553) |
| Other Liabilities Without Related Budgetary Obligations | 137,101 | - | 137,101 |
| Other Financing Sources | | | |
| Imputed Financing Costs | (380,524) | - | (380,524) |
| Total Components of Net Operating Cost Not Part of the Budget Outlays | (2,724,207) | (6,544,539) | (9,268,746) |
| Total Components of the Budget Outlays That Are Not Part of Net Operating Cost | | | |
| Purchases of Property, Plant, and Equipment | - | - | - |
| Other | 1,965 | (1,602,138) | (1,600,173) |
| Net Outlays | \$ 890,695 | \$ 231,628,808 | \$ 232,519,503 |
| Related Amounts on the Statement of Budgetary Resources | | | |
| Outlays, net | \$ 234,119,676 | | |
| Distributed Offsetting Receipts | (1,600,173) | | |
| Agency Outlays, Net | \$ 232,519,503 | | |

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2020 and 2019

(in Dollars)

Audited

Note 16: Reconciliation of Net Cost to Net Outlays

| | 2019 | | |
|---|-----------------------|-----------------------|-----------------------|
| | 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, 2020 and 2019

(in Dollars)

Audited

Note 17: COVID-19 Activity

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), P.L. 116-136, provided \$50 million in funding to IMLS to prevent, prepare for, and respond to coronavirus, including Grants to States, territories and tribes to expand digital network access, purchase internet accessible devices, and provide technical support services. The funding has been appropriated as a multi-year fund which will expire September 30, 2021.

| Programs | 2020 | | |
|---|----------------------------------|-------------------------|-------------------------------|
| | Beginning Budgetary Resources | Obligations Incurred | Ending Budgetary Resources |
| Grants to States | \$ 30,000,000 | \$ 30,000,000 | \$ - |
| National Leadership - Museum | 8,280,000 | 8,280,000 | - |
| National Leadership - Library | 5,520,000 | 5,520,000 | - |
| Native American/Native Hawaiian Administration | 1,200,000 | 1,200,000 | - |
| | <u>5,000,000</u> | <u>426,644</u> | <u>4,573,356</u> |
| Total CARES Act Funding | <u>\$ 50,000,000</u> | <u>\$ 45,426,644</u> | <u>\$ 4,573,356</u> |

Other Information

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

TABLE 1: SUMMARY OF FINANCIAL STATEMENT AUDIT

| Audit Opinion | Unmodified | | | | |
|---------------------------|-------------------|-----|----------|--------------|----------------|
| RESTATEMENT | NO | | | | |
| MATERIAL WEAKNESSES | BEGINNING BALANCE | NEW | RESOLVED | CONSOLIDATED | ENDING BALANCE |
| None | | | | | |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 |

TABLE 2: SUMMARY OF MANAGEMENT ASSURANCES

| Effectiveness of Internal Control over Financial Reporting (FMFIA § 2) | | | | | | |
|--|-------------------|-----|----------|--------------|------------|----------------|
| STATEMENT OF ASSURANCE | UNMODIFIED | | | | | |
| MATERIAL WEAKNESSES | BEGINNING BALANCE | NEW | RESOLVED | CONSOLIDATED | REASSESSED | ENDING BALANCE |
| None | | | | | | |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 | 0 |

| Effectiveness of Internal Control over Operations (FMFIA § 2) | | | | | | |
|---|-------------------|-----|----------|--------------|------------|----------------|
| STATEMENT OF ASSURANCE | UNMODIFIED | | | | | |
| MATERIAL WEAKNESSES | BEGINNING BALANCE | NEW | RESOLVED | CONSOLIDATED | REASSESSED | ENDING BALANCE |
| None | | | | | | |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 | 0 |

| Conformance with Financial Management System Requirements (FMFIA § 4) | | | | | | |
|---|--|-----|----------|--------------|------------|----------------|
| STATEMENT OF ASSURANCE | FEDERAL SYSTEMS CONFORM TO FINANCIAL MANAGEMENT SYSTEM | | | | | |
| 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 Standards | Not applicable* | |
| 3. USSGL at Transaction Level | Not applicable* | |

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

PAYMENT INTEGRITY

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

RISK ASSESSMENT AND SYSTEMATIC SAMPLING METHOD

IMLS last conducted a new risk assessment in FY 2019 and determined that all IMLS programs were low risk. The IPIA guidelines state that if

an agency deems a program to be low risk for improper payments, the agency will re-assess that program's risk at least every three years. An agency is only required to conduct a formal risk assessment earlier than three years if the program experiences a significant change in legislation and/or a significant increase in funding level. In FY 2020, IMLS determined none of its programs and activities met that criteria.

There are only five 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, 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 2020 grant payments was performed. In FY 2020, there were overpayments totaling approximately \$78,943 or .037 percent of the agency outlays of \$212.49 million for grant programs. As of September 30, 2020, IMLS has recovered 100 percent of these payments. In FY 2019, there were overpayments totaling approximately \$38,081 or .014 percent of \$211.93 million for grant programs. As of September 30, 2019, IMLS had recovered 100 percent of these payments. In FY 2020, there were underpayments totaling approximately \$73. As of September 30, 2020, IMLS had corrected 100 percent of these payments. There were no underpayments in the review of the FY 2019 payments.

In accordance with the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), the FY 2020 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, 2020, was approximately

\$3,514 for vendor invoices and travel payments. As of September 30, 2020, IMLS has recovered 0 percent of these payments. Contracting interest charges in the amount of \$67 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, 2019, was approximately \$300. As of September 30, 2019, IMLS had recovered 100 percent of these payments. Improper interest charges on honorarium payments in the amount of \$241 were incurred in FY 2019. As of September 30, 2019, IMLS had recovered 100 percent of these payments. Contracting and travel interest charges in the amount of \$163 were incurred in FY 2019. These funds were not subject to recapture and will not be recovered. In FY 2020, there were contracting invoice underpayments totaling approximately \$270. As of September 30, 2020, IMLS had corrected 100 percent of these payments. There were no underpayments in the review of the FY 2019 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 2020, 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

Table 1: Improper Payment Reduction Outlook

| PROGRAM OR ACTIVITY | PY OUTLAYS | PY IP% | PY IP\$ | CY OUTLAYS | CY IP% | CY IP\$ |
|---------------------|------------|--------|----------|------------|--------|----------|
| Grants | \$211.93M | 0.014% | \$.038M | \$212.49M | 0.037% | \$.079M |
| Administrative | \$ 6.48M | 0.005% | \$.0003M | \$ 7.42M | 0.047% | \$.0035M |
| Total | \$218.41M | | \$.0383M | \$219.91M | | \$.0825M |

| 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 | \$214.00M | 0.01% | \$.0214M | \$214.00M | 0.005% | \$.0107M | \$214.00M | 0.000% | \$.000M |
| Administrative | \$ 7.50M | 0.00% | \$.000M | \$ 7.50M | 0.000% | \$.000M | \$ 7.50M | 0.000% | \$.000M |
| Total | \$221.50M | | \$.0214M | \$221.50M | | \$.0107M | \$221.50M | | \$.000M |

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

Table 2: Overpayments Recaptured Outside of Payment Recapture Audits

| AGENCY SOURCE: (POST-PAYMENT REVIEWS) | AMOUNT IDENTIFIED (CY) | AMOUNT RECAPTURED (CY) | AMOUNT IDENTIFIED (PY) | AMOUNT RECAPTURED (PY) | CUMULATIVE AMOUNT IDENTIFIED (CY+PY) | CUMULATIVE AMOUNT RECAPTURED (CY+PY) |
|---------------------------------------|------------------------|------------------------|------------------------|------------------------|--------------------------------------|--------------------------------------|
| Grants | \$.079M | \$.079M | \$.038M | \$.038M | \$.117M | \$.117M |
| Administration | \$.0035M | \$.000M | \$.0003M | \$.0003M | \$.0038M | \$.0003M |
| Total | \$.0825M | \$.079M | \$.0383M | \$.0383M | \$.1208M | \$.1173M |

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 prior year AFRs that is not included in this year's AFR can be accessed at <https://paymentaccuracy.gov>.

Table 3: Implementation of the Do Not Pay Initiative to Prevent Improper Payments

| | NUMBER (#) OF PAYMENTS REVIEWED FOR IMPROPER PAYMENTS | DOLLARS (\$) OF PAYMENTS REVIEWED FOR IMPROPER PAYMENTS | NUMBER (#) OF PAYMENTS STOPPED | DOLLARS (\$) OF PAYMENTS STOPPED | NUMBER (#) OF IMPROPER PAYMENTS REVIEWED AND NOT STOPPED | DOLLARS (\$) OF IMPROPER PAYMENTS REVIEWED AND NOT STOPPED |
|------------------------------|---|--|--------------------------------------|-------------------------------------|--|---|
| Reviews with the DMF and SAM | 4,713 | \$222.32M | 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 2020 and FY 2019 surveys resulted in no responses that would indicate any fraud. The agency has an internal Risk Management Council that monitors the status of active projects and continues to propose top priorities for further review by the Leadership Team. A cross-agency review of grant management activities is being conducted as part of the implementation of the new grants management system in FY 2020. The agency is developing new grant monitoring tools and tracking reports to increase the effectiveness and timeliness of monitoring grant performance.