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# REPORT TO THE CONGRESS



BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

UNITED STATES  
GENERAL ACCOUNTING OFFICE

096893

LIBRARY SYSTEM



Audit Of The United States  
Capitol Historical Society  
For The Year Ended  
January 31, 1975

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DEC. 10, 1975



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-176631

61 To the President of the Senate and the  
Speaker of the House of Representatives

We have audited the accounts of the United States Capitol Historical Society for the year ended January 31, 1975, in accordance with section 451 of the Legislative Reorganization Act of 1970 (40 U.S.C. 193m-1). The act requires that we report the results of our audit to the Congress.

GENERAL COMMENTS

The United States Capitol Historical Society, a non-profit organization, was incorporated in the District of Columbia on August 8, 1962. As stated in its constitution, the organization was formed:

"To encourage in the most comprehensive and enlightened manner an understanding by the people of the founding, growth, and significance of the Capitol of the United States of America as the tangible symbol of their representative form of government; to undertake research into the history of the Congress and the Capitol and to promote the discussion, publication, and dissemination of the results of such studies; to foster and increase an informed patriotism of the land in the study of this living memorial to the founders of this nation and the continuing thread of principles as exemplified by their successors."

The Society is composed of a board of trustees, an honorary board of trustees, officers, and paid employees. (Members of the board of trustees, officers, and the principal paid employees are listed in app. II.)

Officers are elected annually at the spring meeting of the board of trustees. The officers--the president, five vice presidents, the treasurer, and the secretary--may be paid for their services and may be reimbursed for their expenses. The president is the only officer who is paid for his services. On March 7, 1973, the board of trustees authorized the president's \$15,000 annual salary, retroactive to January 3, 1973. Paid employees include an executive secretary, who is appointed by the board of trustees, and three department managers. The Society's daily operations are carried out by three departments--sales, administrative and accounting, and history--whose managers, in the absence of the executive secretary, report directly to the Society's president.

#### OPERATIONS

The Society's income is primarily from the sale of books, calendars, and other merchandise. (See app. I.) Other income includes royalties from products copyrighted and designed by the Society, interest from investments, and contributions for the Sound and Light Program and the Visitors' Film Program.

Pursuant to the National Visitor Center Facilities Act of 1968 (40 U.S.C. 831), on May 16, 1968, the Architect of the Capitol contracted with the Society to operate the Capitol Visitor Center under his direction. The Center, which provides educational and informational material to the public, has an information counter in the first-floor center lobby of the Capitol's east front and the sales desks at the east and west front entrances to the Capitol's rotunda and on the first floor of the Senate wing of the Capitol. Storage facilities are in several other places in the Capitol and at the Society's headquarters at 200 Maryland Avenue, N.E., Washington, D.C. Pursuant to the contract, the Architect provides the Center with space in the Capitol, utilities, and other normal building services without charge.

The contract, which has been renewed through December 31, 1975, can be terminated by either party without cause upon giving the other party 60 days' written notice. At the end of the renewal period, the Architect can further renew the contract on mutually satisfactory terms.

A History Endowment Fund was established by the executive committee on January 2, 1970. One-half of the net profit from calendar sales, or such other sum approved by the executive committee, is paid into the History Endowment Fund. The income of this Fund is used to finance the Society's publications. On May 15, 1974, the executive committee authorized the transfer of \$50,000 from the General Fund to the History Endowment Fund.

The executive committee has plans to produce a Sound and Light Program on the east front of the Capitol at an estimated cost of \$10,000,000. House Joint Resolution 736, effective December 29, 1973 (Public Law 93-266, 87 Stat. 943), authorized a study of the feasibility of the construction and preparation of such a project. The project study was completed during the year under audit at a cost of \$70,000. The Society provided the funds for this study from donations for the Sound and Light Program.

The Society expects to raise the total costs of the development, installation, production, and maintenance of the Sound and Light Program from private sources. However, to insure that the Program will be ready in time for the bicentennial celebration in 1976, House Joint Resolutions 621 and 635 were introduced August 1, 1975, and September 5, 1975, respectively, to authorize the appropriation of any funds necessary to facilitate the Sound and Light performance. Hearings on the two resolutions were held September 17 and October 7, 1975.

On February 24, 1972, the Society entered into a contract with Francis Thompson, Inc., of New York for the creation and production of a 35-mm color, soundtrack film for use in the Washington, D.C., National Visitor Center. The film, entitled "City Out of Wilderness--Washington," was completed during the year under audit. The \$11,217 contributed in excess of the \$350,673 cost of the film was credited to the General Fund in partial reimbursement of fundraising expenses.

In December 1974, the Society executed an agreement giving exclusive rights to reproduce and/or sell copies of the film to Films, Inc. Under the agreement the Society retains title to the film and will receive royalties based on a percentage of its sale or rental price. However, the value of the film is not recorded in the Society's accounts.

We have, therefore, footnoted schedule 1 to show the cost of the film and other donated assets.

On April 24, 1964, before publishing its book "We, the People," the Society obtained from the District of Columbia government an exemption from the sales tax. The Society has sold and continues to sell various articles, such as medals, jewelry, and film, which may be subject to sales taxes under section 2602 of title 47 of the D.C. Code. The Society, however, has neither charged nor paid sales taxes on these articles.

In April 1972 the Society's legal counsel requested the District of Columbia government to resolve the matter but has not received a response to its request. No provision has been made in the financial statements for the contingent liability for sales taxes, which could exceed \$50,000. However, adequate funds are available to settle any claim.

During fiscal year 1973 the Society agreed to act as coordinator and collector of contributions for the portrait of the Honorable Melvin Price. The portrait is to eventually hang in the rooms of the House Committee on Standards of Official Conduct, which Mr. Price chaired from its creation in 1967 until January 1975. Title to the property will remain in the Society. As of January 31, 1975, \$1,350 in contributions had been received by the Society for the portrait.

Two assests were donated to the Society--a cultured pearl replica of the Capitol in 1965 and an old grandfather clock in 1971. The value of these assets is not included on the accompanying financial statements. The Society has a \$25,000 insurance policy covering the pearl replica and its display case. The grandfather clock was commercially appraised at \$1,250 in 1972.

Over the years the Society has renovated art objects and furniture, including a painting of the Capitol, a sofa, two congressional chairs, and the information counter and donated them to the Capitol. After the information counter was installed, Society employees gave free information to visitors to the Capitol. The Society has also, for historical purposes, prepared a bibliography on the Capitol but does not expect to recover its costs.

During the year ended January 31, 1972, the Society contributed \$80,000 to the Architect of the Capitol, on behalf of the United States, for painting murals in the House wing. House Joint Resolution 169 (Public Law 92-56, 85 Stat. 156), approved July 29, 1971, authorized the Architect to accept the contribution and such other sums as the Society may offer. In 1972 and 1973 the executive committee approved additional contributions of \$10,000 and \$5,000, respectively, to the Architect for further artwork in the House wing. During the audit year, the murals were completed in the House wing and the Society authorized \$25,000 to complete a master plan for artwork in the House corridors.

#### SCOPE OF AUDIT

Our audit, which was made in accordance with generally accepted auditing standards, included an examination of the financial statements for the year ended January 31, 1975, and such other auditing procedures as we considered necessary.

#### OPINION ON FINANCIAL STATEMENTS

The accompanying financial statements, prepared by us, are the same as those prepared for the Society by its certified public accountants, except for some reclassification of accounts. The income and expense statement does not include the cost of certain benefits and services--such as sales and storage space, utilities, and ordinary building repairs and maintenance--furnished to the Society at the Capitol without charge.

In our opinion, subject to any adjustments of the financial statements which may result from the final determination of the Society's liability for sales tax, the accompanying statements (schs. 1, 2, and 3), which were prepared on a basis consistent with that of the preceding year and in accordance with the financial arrangements described above, present fairly the financial position of the Society at January 31, 1975, and the results of its operations and the changes in its financial position for the year then ended.



Comptroller General  
of the United States

## UNITED STATES CAPITOL HISTORICAL SOCIETY

## BALANCE SHEET

JANUARY 31, 1975

## ASSETS

	General Fund	History Endowment Fund	Total
<b>CURRENT ASSETS:</b>			
Cash in bank and on hand	\$ 28,842	\$ 605	\$ 29,447
Temporary investments:			
Certificates of deposit	600,887	50,000	650,887
Savings accounts	-	147,335	147,335
Notes	-	51,000	51,000
Accounts receivable	5,053	1,755	6,808
Inventory (cost)	283,691	-	283,691
Prepaid expenses	372	-	372
Total current assets	<u>918,845</u>	<u>250,695</u>	<u>1,169,540</u>
<b>FIXED ASSETS:</b>			
Office furniture and equipment	\$14,807		
Less: accumulated depreciation	<u>9,189</u>	<u>5,618</u>	<u>5,618</u>
Total fixed assets	<u>5,618</u>	<u>-</u>	<u>5,618</u>
<b>OTHER ASSETS (note a):</b>			
Library	1,328	-	1,328
Archives stock	<u>3,207</u>	<u>-</u>	<u>3,207</u>
Total other assets	<u>4,535</u>	<u>-</u>	<u>4,535</u>
<b>TOTAL ASSETS</b>	<u>\$928,998</u>	<u>\$250,695</u>	<u>\$1,179,693</u>

Our opinion on these statements appears on page 5.

a/The following items donated to the Society are not recorded in the financial statements:

Asset	Value	Basis of valuation
Pearl replica of the Capitol and display case	\$ 25,000	Insured value
Grandfather clock	1,250	1972 appraisal
Film, "City Out of Wilderness--Washington"	350,673	Cost

b/Does not include contingent liability for sales taxes as explained on page 4.

c/A four-phase plan has been approved by the Society for fundraising and promotional activities for the Sound and Light Program. Each individual phase will be considered not less than 30 days before its initiation. Phase one was approved September 1, 1974, covering a period of 9 months with a budget of \$63,000 plus travel. The projected budget for all four phases is \$452,500 over a 40-month period.

d/The Society has authorized \$25,000 to complete a master plan for artwork in the House corridors.

e/Gross income on investments.

## LIABILITIES, PROGRAMS, AND FUND PRINCIPAL

	General Fund	History Endowment Fund	Total
<b>LIABILITIES (note b):</b>			
Accounts payable	\$ 46,827	\$ 563	\$ 47,390
Accrued expenses	<u>3,990</u>	<u>-</u>	<u>3,990</u>
Total liabilities	<u>50,817</u>	<u>563</u>	<u>51,380</u>
<b>SOUND AND LIGHT PROGRAM (note c):</b>			
Balance, February 1, 1974	57,955	-	57,955
Contributions	15,670	-	15,670
Less expenditures	<u>-70,000</u>	<u>-</u>	<u>-70,000</u>
Total Sound and Light Program	<u>3,625</u>	<u>-</u>	<u>3,625</u>
<b>VISITORS' FILM PROGRAM:</b>			
Balance, February 1, 1974	107,685	-	107,685
Contributions	254,205	-	254,205
Less expenditures	<u>-350,673</u>	<u>-</u>	<u>-350,673</u>
Less allocation to fundraising expenditures	<u>-11,217</u>	<u>-</u>	<u>-11,217</u>
Total Visitors' Film Program	<u>-</u>	<u>-</u>	<u>-</u>
<b>MELVIN PRICE PORTRAIT FUND</b>	<u>1,350</u>	<u>-</u>	<u>1,350</u>
<b>FUND PRINCIPAL (note d):</b>			
Balance, February 1, 1974	788,811	185,903	974,714
Transfer to History Endowment Fund	<u>-50,000</u>	<u>50,000</u>	<u>-</u>
Net income, fiscal year ended January 31, 1975	<u>134,395</u>	<u>e/14,229</u>	<u>148,624</u>
Total fund principal	<u>873,206</u>	<u>250,132</u>	<u>1,123,338</u>
<b>TOTAL LIABILITIES, PROGRAMS, AND FUND PRINCIPAL</b>	<u>\$928,998</u>	<u>\$250,695</u>	<u>\$1,179,693</u>

BEST DOCUMENT AVAILABLE

SCHEDULE 1

SCHEDULE 1

## UNITED STATES CAPITOL HISTORICAL SOCIETY

## INCOME AND EXPENSE STATEMENT

## GENERAL FUND

YEAR ENDED JANUARY 31, 1975

## OPERATING INCOME:

Sales	\$986,397
Cost of merchandise sold	<u>554,396</u>
Gross profit from sales	432,001

## SELLING AND ADMINISTRATIVE EXPENSES:

Salaries	\$181,940	
Payroll taxes	10,716	
Office rent	13,723	
Group and general insurance	5,863	
Membership	2,057	
Promotion	100,833	
Storage	3,242	
Office	4,709	
Postage and other mailing expenses	1,824	
Professional services	5,000	
Computer	1,200	
Dues	335	
Merchandise returned	-175	
Discounts	646	
Sundry	4,493	
Depreciation	<u>1,468</u>	<u>337,874</u>

Net operating income 94,127

## NONOPERATING INCOME:

Royalties	20,192	
Interest on investments	26,546	
Contributions	3,959	
Invoice discount	1,873	
Sundry	<u>11,237</u>	<u>63,807</u>

## NONOPERATING EXPENSE:

Contributions	10,486	
Capitol bibliography	12,972	
Loss on equipment destroyed	<u>81</u>	<u>-23,539</u>

Net income \$134,395

Our opinion on these statements appears on page 5.



UNITED STATES CAPITOL HISTORICAL SOCIETY  
STATEMENT OF CHANGES IN FINANCIAL POSITION

GENERAL FUND

YEAR ENDED JANUARY 31, 1975

FUNDS PROVIDED:

Sales	\$ 986,397
Interest on investments	26,545
Royalties	20,192
Washington Guide Book	1,667
Membership contributions	2,293
Invoice discount	1,873
Sundry	11,237
Contributions:	
Sound and Light Program	15,670
Visitors' Film Program	254,205
Melvin Price Portrait Fund	75
Total	<u>\$1,320,154</u>

FUNDS APPLIED:

Costs (excluding depreciation and other items not requiring cash outlays)	\$ 901,287
Transfer to History Endowment Fund	50,000
Acquisition of equipment	1,100
Additions to library	7
Transfer to archives stock	289
Advances on cost of Sound and Light Program	49,000
Advances on cost of Visitors' Film Program	151,890
Increase in working capital	<u>166,581</u>
Total	<u>\$1,320,154</u>

Analysis of changes in working capital

INCREASE OR DECREASE (-) IN CURRENT ASSETS:

Cash	\$ 6,647
Cash investments	-33,031
Accounts receivable	-144,798
Inventory	99,550
Prepaid expenses	-66

INCREASE (-) OR DECREASE IN CURRENT LIABILITIES:

Accounts payable	239,764
Accrued expenses	<u>-1,485</u>

INCREASE IN WORKING CAPITAL \$ 166,581

Our opinion on these statements appears on page 5.

MAJOR MERCHANDISE SOLD BY THE  
UNITED STATES CAPITOL HISTORICAL SOCIETY

## BOOKS:

"We, the People"--in English and five foreign languages  
and available in paperback, cloth-  
bound, and leather.

"National Capitol Profile"--five-book set available in  
paperback and clothbound.

"Brumidi"

"Our Nation's Capitol Coloring Book"

"Washington, D.C. - Past and Present"

Miscellaneous books of historical interest

Calendars--school and calendar years

Photographs, prints, slides, and viewers

Post cards, folders, and albums

Place mats--set of four

Spoons and plates

Capitol jewelry

Film, filmstrips, viewmasters, and cameras

Medals and accessories

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