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REPORT TO THE CONGRESS



*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

Audit Of The United States
Capitol Historical Society
For The Year Ended
January 31, 1976

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20543

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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, 1976, 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 Society, a nonprofit 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. (See app. II.)

Officers are elected annually at the spring meeting of the board of trustees. The officers may be paid for their services and reimbursed for their expenses.

The Society's daily operations are carried out by three departments--sales, administrative and accounting, and history--whose managers report directly to the Society's president. Principal paid employees include the president; the executive secretary, who is appointed by the board of trustees; and the three department managers.

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OPERATIONS

The Society's income is primarily from the sales of books, calendars, and other merchandise. (See app. I.) Other sources of income include royalties from products copyrighted and designed by the Society, interest from investments, and contributions for the Sound and Light Program and Art Work in the Capitol.

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 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, NE., 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, 1977, 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, to finance the Society's publications or other purposes determined by the executive committee. The fund balance at January 31, 1976, of about \$268,000 consisted of cash, investments, and interest receivable, provided through transfers of \$214,000 from the General Fund and accumulated interest income of about \$54,000.

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 93-226, 87 Stat. 943), authorized a study of the feasibility of the construction and preparation of such a project. The project study, completed in January 1975, at a cost of \$70,000, showed that the program was feasible and advisable. The Society provided the funds for this study from donations for the Sound and Light Program.

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They expect to raise the total costs of the development, installation, production, and maintenance of the Sound and Light Program from private sources.

According to the House Joint Resolution 736, the study recommendation must be reviewed by the Architect of the Capitol and approved by the Speaker and majority and minority leaders of the House of Representatives and the United States Senate Commission on Art and Antiquities, before the program may be implemented. Approval has been received from all except the Senate Commission.

The Society, in August 1974, approved a four-phase plan for fundraising and promotional activities for the Sound and Light Program. The executive committee must approve each phase before it is implemented. Under phase one, implemented September 1, 1974, the Society received contributions of \$31,447 in the fiscal year ended January 31, 1976. The Society, however, has suspended further fundraising activities pending the Senate Commission's approval.

On February 24, 1972, the Society entered into a contract with Francis Thompson, Inc., of New York City 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 ended January 31, 1975, at a total cost of \$350,673.

In December 1974 the Society executed an agreement giving exclusive rights to reproduce and 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 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.

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In April 1972 the Society's legal counsel requested the District of Columbia government to resolve the matter but has not received a response. 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, 1976, \$1,350 in contributions had been received by the Society for the portrait.

Two assets 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 Society made contributions of \$10,000 and \$5,000, respectively, to the Architect for further artwork in the House wing. During the year ended January 31, 1976, the Society hired an artist to prepare a master plan for the artistic decoration of the remaining first floor corridors of the House wing. The contract for the artwork is between the Architect of the Capitol and Mr. Allyn Cox, the artist.

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The National Society of Daughters of the American Revolution (DAR) has pledged \$150,000 to fund the additional artwork. During July 1975 the Society received \$15,000 from DAR. This \$15,000 and other payments received from DAR will be used by the Capitol Historical Society to make contributions to the Architect of the Capitol to pay for the additional artwork.

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, 1976, 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 and adjustments for accrued interest on investments. 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, 1976, and the results of its operations and the changes in its financial position for the year then ended.



Comptroller General
of the United States

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SCHEDULES

SCHEDULE 1

SCHEDULE 1

UNITED STATES CAPITOL HISTORICAL SOCIETYBALANCE SHEETJANUARY 31, 1976

ASSETS

	<u>General fund</u>	<u>History endowment fund</u>	<u>Total</u>
CURRENT ASSETS:			
Cash in bank and on hand	\$ 48,661	\$ 263	\$ 48,924
Temporary investments:			
Certificates of deposit	499,000	50,000	549,000
Savings accounts	26,179	158,306	184,485
Notes	98,000	7,000	105,000
Government and quasi-			
Government bonds	29,965	49,933	79,898
U.S. Treasury bills	97,777	-	97,777
Accounts receivable	114,092	-	114,092
Interest receivable	18,858	2,972	21,830
Inventory (cost)	243,353	-	243,353
Prepaid expenses	6,043	-	6,043
	<u>1,181,928</u>	<u>268,474</u>	<u>1,450,402</u>
FIXED ASSETS:			
Office furniture and equip- ment	\$17,346	-	-
Less accumulated deprecia- tion	<u>10,416</u>	<u>6,930</u>	<u>6,930</u>
Total fixed assets	<u>6,930</u>	<u>-</u>	<u>6,930</u>
OTHER ASSETS (note a):			
Library	1,355	-	1,355
Inventory reserve	<u>3,207</u>	<u>-</u>	<u>3,207</u>
Total other assets	<u>4,562</u>	<u>-</u>	<u>4,562</u>
TOTAL ASSETS	<u>\$1,193,420</u>	<u>\$268,474</u>	<u>\$1,461,894</u>

Our opinion on this statement appears on p. 5.

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

<u>Asset</u>	<u>Value</u>	<u>Basis of valuation</u>
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 p. 4.

c/Gross income on investments.

The summary of significant accounting policies on p. 12 is an integral part of the financial statements.

SCHEDULE 1

SCHEDULE 1

LIABILITIES, PROGRAMS, AND FUND PRINCIPAL

	<u>General fund</u>	<u>History endowment fund</u>	<u>Total</u>
LIABILITIES (note b):			
Accounts payable	\$ 147,074	\$ 564	\$ 147,638
Accrued expenses	<u>5,189</u>	<u>-</u>	<u>5,189</u>
Total liabilities	<u>152,263</u>	<u>564</u>	<u>152,827</u>
SOUND AND LIGHT PROGRAM:			
Balance, February 1, 1975	3,625	-	3,625
Contributions	<u>31,447</u>	<u>-</u>	<u>31,447</u>
Total Sound and Light Program	<u>35,072</u>	<u>-</u>	<u>35,072</u>
MELVIN PRICE PORTRAIT FUND	<u>1,350</u>	<u>-</u>	<u>1,350</u>
ART WORK (CAPITOL):			
Balance, February 1, 1975	-	-	-
Contributions	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total Art Work (Capitol)	<u>15,000</u>	<u>-</u>	<u>15,000</u>
FUND PRINCIPAL:			
Balance, February 1, 1975	873,207	250,132	1,123,339
Net income, fiscal year ended January 31, 1976	111,103	<u>c/17,444</u>	128,547
Prior year adjustment	<u>5,425</u>	<u>334</u>	<u>5,759</u>
Total fund principal	<u>989,735</u>	<u>267,910</u>	<u>1,257,645</u>
TOTAL LIABILITIES, PROGRAMS, AND FUND PRINCIPAL	<u>\$1,193,420</u>	<u>\$268,474</u>	<u>\$1,461,894</u>

UNITED STATES CAPITOL HISTORICAL SOCIETYINCOME AND EXPENSE STATEMENTGENERAL FUNDYEAR ENDED JANUARY 31, 1976

OPERATING INCOME:			
Sales (less discounts of \$59,138)			\$989,661
Cost of merchandise sold			<u>555,594</u>
Gross profit from sales			434,067
SELLING AND ADMINISTRATIVE EXPENSES:			
Salaries	\$226,631		
Payroll taxes	11,732		
Office rent	13,851		
Group and general insurance	5,860		
Membership	5,171		
Promotion	82,057		
Storage	3,363		
Office	5,092		
Postage and other mailing expenses	2,150		
General Counsel	8,638		
Computer	1,280		
Dues	25		
Subscriptions	200		
Employment fees	800		
Audit fees	2,000		
Bad debts	683		
Sundry	1,955		
Depreciation	<u>1,284</u>		<u>372,772</u>
Net operating income			61,295
NONOPERATING INCOME:			
Royalties	\$22,951		
Interest on investments	45,619		
Washington Guidebook publication services	3,333		
Membership dues and contributions	2,371		
Invoice discount	2,238		
Sundry	<u>747</u>		<u>77,259</u>
NONOPERATING EXPENSE:			
Contributions	25,295		
Oral history program	150		
Investment services	<u>2,006</u>	<u>27,451</u>	<u>49,808</u>
Net income			<u>\$111,103</u>

Our opinion on this statement appears on p. 5.

The summary of significant accounting policies on p. 12 is an integral part of the financial statements.

UNITED STATES CAPITOL HISTORICAL SOCIETYSTATEMENT OF CHANGES IN FINANCIAL POSITIONGENERAL FUNDYEAR ENDED JANUARY 31, 1976

FUNDS PROVIDED:	
Sales (net of discounts)	\$ 989,661
Interest on investments	45,619
Royalties	22,951
Washington Guidebook publication services	3,333
Invoice discount	2,238
Sundry	747
Contributions:	
Sound and Light Program	31,447
Art Work (Capitol)	15,000
Membership contributions	2,371
Total	<u>\$1,113,367</u>
FUNDS APPLIED:	
Costs (excluding depreciation)	\$ 954,533
Acquisition of equipment	2,596
Additions to library	27
Increase in working capital	156,211
Total	<u>-\$1,113,367</u>

Analysis of Changes in Working Capital

	Increase or decrease (-)
CURRENT ASSETS:	
Cash	\$ 19,818
Cash investments	150,035
Accounts receivable	109,039
Interest receivable (note a)	13,433
Inventory	-40,338
Prepaid expenses	5,671
Net change in current assets	<u>257,658</u>
CURRENT LIABILITIES:	
Accounts payable	-100,247
Accrued expenses	-1,200
Net change in current liabilities	<u>-101,447</u>
NET INCREASE IN WORKING CAPITAL	<u>\$ 156,211</u>

Our opinion on this statement appears on p. 5.

a/Includes prior year adjustment.

The summary of significant accounting policies on p. 12 is an integral part of the financial statements.

UNITED STATES CAPITOL HISTORICAL SOCIETY

SIGNIFICANT ACCOUNTING POLICIES

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting.

Temporary investments are shown at cost plus accrued interest, where applicable.

Inventories are stated at cost; principally on the first-in, first-out basis.

Office furniture and equipment is stated at cost less accumulated depreciation computed on a straight line basis.

Contributions to specific funds are reflected as additions to fund balances. Expenditures of these funds are accumulated until the project is completed, at which time, the fund is charged with the cost of the project.

APPENDIXES

MAJOR MERCHANDISE SOLD BY THE
UNITED STATES CAPITOL HISTORICAL SOCIETY

BOOKS:

"We, the People"--in English and five foreign languages
and available in paperback, clothbound,
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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