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REPORT TO THE CONGRESS

Audit Of The United States
Capitol Historical Society,
For The Year Ended
January 31, 1972

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BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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JAN. 2 1973



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

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

The General Accounting Office has audited the accounts of the United States Capitol Historical Society for the year ended January 31, 1972, in accordance with section 451 of the Legislative Reorganization Act of 1970 (40 U S C 193m-1). The act requires that the results of our audit be reported to the Congress.

GENERAL COMMENTS

The United States Capitol Historical Society is a non-profit organization 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, committees of the Board of Trustees, members, officers, and paid personnel. (Members of the Board of Trustees, officers, and the principal paid personnel are listed in app. II.) Officers are elected annually at the spring meeting of the Board of Trustees. The officers--President, five Vice Presidents, Treasurer, and Secretary--may be compensated for their services and may be reimbursed for their expenses. The officers were not compensated for their services or reimbursed for their expenses for the year ended January 31, 1972. Paid personnel include an Executive Secretary who is appointed by the Board of Trustees and three department managers. The Executive Secretary position has been vacant since November 1969. 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 in the absence of an Executive Secretary

OPERATIONS

The Society derives revenue primarily from the sale of books, calendars, and other merchandise (See app I) Other sources of income include interest from investments, royalties from the Society's copyrighted products and products designed by the Society, and contributions for the Sound and Light Program

Pursuant to the National Visitor Center Facilities Act of 1968 (40 U S C 831), the Architect of the Capitol, on May 16, 1968, 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 on the first-floor center lobby of the Capitol's east front and has 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 located 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 at the Capitol, utilities, and other normal building services without charge

The contract, which has been renewed through December 31, 1973, is subject to termination by either party without cause upon giving the other party 60 days' written notice At the end of the renewal period, the Architect has the right to further renew the contract on mutually satisfactory terms

A History Endowment Fund was established by the Executive Committee on January 2, 1970, by transferring \$15,000 from the Society's General Fund The Board of Trustees approved this action on March 18, 1970 One-half of the net profit from calendar sales is to be transferred to the History Endowment Fund. Consequently, in December 1970 and March 1971 the Executive Committee authorized the transfer of \$19,000 and \$30,000, respectively, from the General Fund to the History Endowment Fund The income of the History Endowment Fund is to be used to finance the cost of the Society's publications Unused income in the History Endowment Fund as of January 31, 1972, amounted to \$4,933

The Executive Committee has formulated plans for the Sound and Light Program at the Capitol at an estimated

production cost of between two and three million dollars. The Society anticipates raising the necessary funds from private sources and is optimistic that the program will be in operation before the bicentennial celebration in 1976. The Society's balance sheet (sch 1) shows the contributions received for the program and the expenditures made to get the program underway.

On April 24, 1964, before offering its book "We, the People" for publication, the Society obtained from the District of Columbia Government an exemption from sales tax which applied only to the sale of its publications. The Society also has sold various articles--such as medals, jewelry, and film--which may be subject to sales taxes under 47 D C Code 2602. The Society, however, has neither charged sales taxes on these articles nor paid sales taxes to the District of Columbia Government.

On July 6, 1971, a firm of certified public accountants in its report on the Society's financial statements for the year ended January 31, 1971, brought the contingent liability for sales taxes to the Society's attention and stated that no provision had been made for it in the financial statements. The Society requested the District of Columbia Government to resolve the matter but, as of October 31, 1972, had not received a response to the request.

The decrease of \$126,095 in the inventory, as shown on schedule 3, was due mainly to the depletion of the seventh edition of "We, the People". In November 1971, the Society contracted to purchase 375,000 copies of the eighth edition to be printed in English, German, Spanish, and French at a total cost of \$153,000. As of January 31, 1972, the eighth edition had not been received.

Two assets were donated to the Society--a cultured pearl replica of the Capitol building was donated in 1965 and an old grandfather clock was donated 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 of the Capitol building. The grandfather clock was commercially appraised at \$1,250.

During the year ended January 31, 1972, the Society began negotiating with Francis Thompson, Inc., of New York for the creation and production of a 35mm color, sound-track film intended for use in the Washington, D C., National Visitor

Center On February 24, 1972, the Society awarded a contract to Francis Thompson, Inc , for the production of the film at a cost of \$350,000 payable in installments at various stages of performance. The film, a survey of Washington, D C , is to concentrate on lesser known areas of historical significance. To assist in financing the cost of the film, the National Park Service agreed to pay the Society \$200,000, as follows: \$75,000 when the film is 10 percent complete, \$75,000 when the film is 70 percent complete, and \$50,000 when the film is completed.

In contemplation of the above contract, the Society determined that a film script it had purchased in 1967 at a cost of \$10,000 was obsolete and wrote off this cost as an expense during the year ended January 31, 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 has donated them to the United States Capitol. After the information counter was installed, Society personnel provided free information to visitors to the Capitol. Also, the Society has prepared, for historical purposes, a bibliography on the Capitol but does not expect to recover its cost.

During the year ended January 31, 1972, the Society made contributions of \$82,076, of which \$80,000 was donated to the Architect of the Capitol, on behalf of the Congress, for the painting of mural decorations in the House wing of the Capitol. Public Law 92-56, approved July 29, 1971, authorized the Architect to accept the contribution.

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, 1972, 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 reclassifications. 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 United States Capitol Historical Society at January 31, 1972, and the results of its operations and the changes in its financial position for the year then ended

A handwritten signature in cursive script, reading "James B. Axtell".

Comptroller General
of the United States

FINANCIAL STATEMENTS

UNITED STATES CAPITOL HISTORICAL SOCIETY

BALANCE SHEET

JANUARY 31, 1972

ASSETS

	General <u>fund</u>	History Endowment <u>Fund</u>	Total <u>funds</u>
CURRENT ASSETS			
Cash in banks and on hand	\$ 78,242	\$ -	\$ 78,242
Accounts receivable	57,946	457	58,403
Inventory (cost)	<u>108,130</u>	<u>-</u>	<u>108,130</u>
Total	<u>244,318</u>	<u>457</u>	<u>244,775</u>
INVESTMENTS			
Certificates of deposit	276,553	64,000	340,553
Savings accounts	<u>22,423</u>	<u>4,476</u>	<u>26,899</u>
Total	<u>298,976</u>	<u>68,476</u>	<u>367,452</u>
OTHER ASSETS			
Office furniture and equipment	\$9,927		
Less accumulated depre- ciation	- <u>5,438</u>	4,489	4,489
Prepaid expenses	2,893	-	2,893
Deferred book costs	2,689	-	2,689
Library	<u>787</u>	<u>-</u>	<u>787</u>
Total	<u>10,858</u>	<u>-</u>	<u>10,858</u>
TOTAL ASSETS	<u>\$554,152</u>	<u>\$68,933</u>	<u>\$623,085</u>

^aDoes not include contingent liability for sales tax as explained on page 3.

^bGross income on investments.

LIABILITIES, SOUND AND LIGHT PROGRAM, AND FUND PRINCIPAL

	General <u>fund</u>	History Endowment <u>Fund</u>	Total <u>funds</u>
LIABILITIES (note a)			
Accounts payable	\$ 1,900	\$ -	\$ 1,900
Accrued expenses	<u>3,005</u>	<u>-</u>	<u>3,005</u>
Total	<u>4,905</u>	<u>-</u>	<u>4,905</u>
SOUND AND LIGHT PROGRAM			
Balance February 1, 1971	1,900	-	1,900
Contributions received	3,000	-	3,000
Less expenditures	<u>-3,429</u>	<u>-</u>	<u>-3,429</u>
Total	<u>1,471</u>	<u>-</u>	<u>1,471</u>
FUND PRINCIPAL:			
Balance February 1, 1971	519,739	35,526	555,365
Transfer to History Endowment Fund	-30,000	30,000	-
Net income, fiscal year ended January 31, 1972	55,792	3,407 ^b	59,199
Royalty adjustment (note c)	<u>2,245</u>	<u>-</u>	<u>2,245</u>
Total	<u>547,776</u>	<u>68,933</u>	<u>616,709</u>
TOTAL LIABILITIES, SOUND AND LIGHT PROGRAM, AND FUND PRINCIPAL	<u>\$554,152</u>	<u>\$68,933</u>	<u>\$623,085</u>

^cRoyalties earned in prior periods.

The opinion of the General Accounting Office on these financial statements appears on page 4.

SCHEDULE 2

UNITED STATES CAPITOL HISTORICAL SOCIETY

INCOME AND EXPENSE STATEMENT

GENERAL FUND

YEAR ENDED JANUARY 31, 1972

OPERATING INCOME

Net sales	\$676,438
Cost of merchandise sold	<u>401,144</u>
Gross profit from sales	275,294

SELLING AND ADMINISTRATIVE EXPENSES

Salaries	\$115,201	
Payroll taxes	5,720	
Sales commissions	2,312	
Office rent	8,047	
Group and general insurance	4,423	
Membership	3,848	
Promotion	3,514	
Storage	3,474	
Office	2,973	
Postage and other mailing expense	2,367	
Professional services	1,550	
Sundry	2,326	
Depreciation	<u>847</u>	<u>156,602</u>
Net operating income		118,692

NONOPERATING INCOME

Royalties	17,833	
Interest on investments	13,343	
Sundry	<u>2,012</u>	<u>33,188</u>

NONOPERATING EXPENSE

Contributions	82,076	
Writeoff of film script	10,000	
Writeoff of obsolete inventory	2,129	
Writeoff of obsolete brochures	<u>1,883</u>	<u>-96,088</u>

Net income \$ 55,792

The opinion of the General Accounting Office on these financial statements appears on page 4.

UNITED STATES CAPITOL HISTORICAL SOCIETY
STATEMENT OF CHANGES IN FINANCIAL POSITION

GENERAL FUND

YEAR ENDED JANUARY 31, 1972

FUNDS PROVIDED

Sales	\$676,438
Royalties	20,078
Interest on investments	13,343
Contribution	3,000
Sundry	<u>2,012</u>
Total	<u>\$714,871</u>

FUNDS APPLIED

Costs (excluding depreciation and other items not requiring current outlay of funds)	\$560,911
Contributions	82,076
Transfer to History Endowment Fund	30,000
Deferred publication costs	4,894
Acquisition of equipment	1,425
Library books	100
Increase in working capital	<u>35,465</u>
Total	<u>\$714,871</u>

Analysis of Changes in Working Capital

INCREASE OR DECREASE (-) IN CURRENT ASSETS

Cash	\$ 7,192
Cash investments	100,491
Accounts receivable	51,103
Inventory	-126,095
Prepaid expenses	-1,883

DECREASE IN CURRENT LIABILITIES

Accounts payable	4,270
Accrued expenses	<u>387</u>

Increase in working capital \$ 35,465

The opinion of the General Accounting Office on these financial statements appears on page 4.

APPENDIXES

MAJOR MERCHANDISE SOLD BY THE
UNITED STATES CAPITOL HISTORICAL SOCIETY

Books

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

Capitol Studies--Journal

National Capitol Profile--5 book set available in paperback and clothbound

National Capitol Portrait (3 book set)

Miscellaneous books (historical interest)

Our Nation's Capitol Coloring Book

Calendar--school and calendar years

Slides--sets, sleeves, and individual

Post cards

Place mats--set of 4

Coasters--set of 8

Posters

Christmas cards

Bridge gift sets

Playing cards

Capitol jewelry

Presidential medals

Color prints--set of 4 and individual

Watercolor print of Capitol

Viewmaster sets and reels

Camera film and accessories

APPENDIX II

UNITED STATES CAPITOL HISTORICAL SOCIETY

ACTIVE BOARD OF TRUSTEES

Mrs Lonnelle Aikman	Mr Oliver Jensen
Mrs Robert Low Bacon	The Honorable B Everett Jordan
Mr Ammon Barnes	Mr James Ketchum
Mr Ralph E Becker	The Honorable Charles
Mr James Biddle	McC Mathias, Jr
The Honorable Frances P Bolton	Mr Gerard B McDermott
Mr Mario E Campioli	Mr Gene McGreevy
Miss Josephine Cobb	Mr Ralph G Newman
Mr William A Coblenz	The Honorable Jerry Pettis
Dr John Crane	The Honorable J J Pickle
Dr Leslie W Dunlap	Dr Benjamin Quarles
Mr Robert G Dunphy	Mrs Dorothy W S Ragan
The Honorable Arthur Flemming	The Honorable Robert Stephens, Jr
Mrs Constance McLaughlin Green	Mr Clement Silvestro
Mr Arthur B Hanson	Mr Frank Van der Linden
The Honorable Mark Hatfield	Mr William S White
Mr John A Jackson	The Honorable Ralph Yarborough

OFFICERS

President - The Honorable Fred Schwengel

Vice Presidents - The Honorable Hubert H Humphrey
Dr. Melvin Payne
Mrs. Margueritte Stitt Church
Dr. Walter Rundell, Jr
Mr Carl Haverlin

Treasurer - Mr. Victor M. Birely

Secretary - Mrs Lillian R Kessel

PAID PERSONNEL

Executive Secretary - Vacant

Department managers

Sales	- Mr Richard C Davis
Administrative and Accounting	- Mrs Florence C Miller
History	- Mr William M Maury

Copies of this report are available from the
U S General Accounting Office, Room 6417
441 G Street, N W , Washington, D C , 20548

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