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REPORT TO THE CONGRESS

Audit Of The United States
Capitol Historical Society
For The Year Ended
January 31, 1973

B-176631

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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

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4 / 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, 1973, 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. C.331

GENERAL COMMENTS

The United States Capitol Historical 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; committees of the board of trustees; and members, 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 position of executive secretary 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, in the absence of an 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.

2 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. UTK13

The contract, which has been renewed through December 31, 1973, 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 is paid into the History Endowment Fund. The income of this Fund is used to finance the society's publications. On February 25, 1972, the executive committee authorized the transfer of \$50,000 from the General Fund to the History Endowment Fund. Unused income in the History Endowment Fund as of January 31, 1973, was \$11,543.

The executive committee plans to produce the Sound and Light Program at the Capitol at an estimated cost of between \$1 and \$2 million. The society expects to raise this amount from private sources and hopes that the program will be in operation before the bicentennial celebration in 1976. The society's balance sheet (sch. 1) shows the contributions it has received for the program and the expenses it has paid to get the program underway. No expenses were paid during the year under audit.

On April 24, 1964, before offering its book "We, the People" for publication, the society obtained from the District of Columbia Government an exemption of its publications from the sales tax. The society has sold 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. However, adequate funds are available to settle any claim.

Two assets were donated to the society--a cultured pearl replica of the Capitol 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. 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 35-mm color, sound-track film 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 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 help finance the cost of the film, the National Park Service agreed to pay the society \$200,000--\$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. Through January 31, 1973, the National Park Service had paid the society \$75,000 and the society had paid \$105,000 to Francis Thompson, Inc.

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. Also the society, for historical purposes, has prepared a bibliography on the Capitol but does not expect to recover its cost.

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 the painting of murals in the House wing. Public Law 92-56, approved July 29, 1971, authorized the Architect to accept the contribution and such other sums as the society may offer. On December 5, 1972, the executive committee approved contributing \$10,000 additional to the Architect for further art work in the House wing.

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, 1973, 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 society at January 31, 1973, and the results of its operations and the changes in its financial position for the year then ended.



Comptroller General
of the United States

SCHEDULES

UNITED STATES CAPITOL HISTORICAL SOCIETY

BALANCE SHEET

JANUARY 31, 1973

ASSETS

	<u>General Fund</u>	<u>History Endowment Fund</u>	<u>Total</u>
CURRENT ASSETS:			
Cash in banks and on hand	\$ 16,637	\$ -	\$ 16,637
Accounts receivable	81,721	640	82,361
Inventory (cost)	<u>252,609</u>	<u>-</u>	<u>252,609</u>
Total	<u>350,967</u>	<u>640</u>	<u>351,607</u>
INVESTMENTS:			
Certificates of deposit	154,582	34,000	188,582
Savings accounts	<u>159,465</u>	<u>90,903</u>	<u>250,368</u>
Total	<u>314,047</u>	<u>124,903</u>	<u>438,950</u>
OTHER ASSETS:			
Office furniture and equipment	\$10,234		
Less accumulated Depreciation	<u>6,638</u>	3,596	3,596
Prepaid expenses	598	-	598
Library	999	-	999
Capitol bibliography-- costs advanced	5,972	-	5,972
Visitor Center film-- costs advanced	<u>105,000</u>	<u>-</u>	<u>105,000</u>
Total	<u>116,165</u>	<u>-</u>	<u>116,165</u>
TOTAL ASSETS	<u>\$781,179</u>	<u>\$125,543</u>	<u>\$906,722</u>

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

^bGross income on investments.

The opinion of the General Accounting Office on these financial statements appears on page 5.

LIABILITIES, PROGRAMS, AND FUND PRINCIPAL

	<u>General Fund</u>	<u>History Endowment Fund</u>	<u>Total</u>
LIABILITIES (note a):			
Accounts payable	\$ 49,598	\$ -	\$ 49,598
Accrued expenses	2,742	-	2,742
Deferred revenue (1974 calendars)	<u>750</u>	<u>-</u>	<u>750</u>
Total	<u>53,090</u>	<u>-</u>	<u>53,090</u>
SOUND AND LIGHT PROGRAM:			
Balance, February 1, 1972	1,471	-	1,471
Contributions received	10,213	-	10,213
Less expenditures	<u>-3,429</u>	<u>-</u>	<u>-3,429</u>
Total	<u>8,255</u>	<u>-</u>	<u>8,255</u>
VISITORS' FILM PROGRAM	<u>75,000</u>	<u>-</u>	<u>75,000</u>
FUND PRINCIPAL:			
Balance, February 1, 1972	547,776	68,933	616,709
Transfer to History Endowment Fund	-50,000	50,000	-
Net income, fiscal year ended January 31, 1973	<u>147,058</u>	<u>6,610</u>	<u>153,668</u>
Total	<u>644,834</u>	<u>125,543</u>	<u>770,377</u>
TOTAL LIABILITIES, PROGRAMS, AND FUND PRINCIPAL	<u>\$781,179</u>	<u>\$125,543</u>	<u>\$906,722</u>

SCHEDULE 2

UNITED STATES CAPITOL HISTORICAL SOCIETY

INCOME AND EXPENSE STATEMENT

GENERAL FUND

YEAR ENDED JANUARY 31, 1973

OPERATING INCOME:

Net sales		\$649,982
Cost of merchandise sold		<u>362,055</u>
Gross profit from sales		287,927

SELLING AND ADMINISTRATIVE EXPENSES:

Salaries	\$121,432	
Payroll taxes	6,743	
Sales commissions	1,826	
Office rent	8,765	
Group and general insurance	5,756	
Membership	2,798	
Promotion	18,767	
Storage	2,908	
Office	3,671	
Postage and other mailing expenses	1,978	
Professional services	6,100	
Sundry	3,102	
Depreciation	<u>1,290</u>	<u>185,136</u>

Net operating income 102,791

NONOPERATING INCOME:

Royalties	40,251	
Interest on investments	16,249	
Sundry	<u>2,445</u>	58,945

NONOPERATING EXPENSE:

Contributions		<u>-14,678</u>
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Net income \$147,058

The opinion of the General Accounting Office on these financial statements appears on page 5.

UNITED STATES CAPITOL HISTORICAL SOCIETY
STATEMENT OF CHANGES IN FINANCIAL POSITION

GENERAL FUND

YEAR ENDED JANUARY 31, 1973

FUNDS PROVIDED:

Sales	\$649,982
Royalties	40,251
Interest on investments	16,249
Contributions	81,784
Sundry	<u>3,328</u>
Total	<u>\$791,594</u>

FUNDS APPLIED:

Costs (excluding depreciation and other items not requiring current outlay of funds)	\$545,901
Contributions	14,678
Transfer to History Endowment Fund	50,000
Deferred publication costs	4,145
Acquisition of equipment	418
Library books	212
Advances on cost of Visitor Center film	105,000
Increase in working capital	<u>71,240</u>
Total	<u>\$791,594</u>

Analysis of changes in working capital

INCREASE OR DECREASE (-) IN CURRENT ASSETS:

Cash	\$-61,605
Cash investments	15,071
Accounts receivable	23,775
Inventory	144,479
Prepaid expenses	-2,295

INCREASE (-) OR DECREASE IN CURRENT LIABILITIES:

Accounts payable	47,698
Accrued expenses	263
Deferred revenue (1974 calendars)	<u>-750</u>

INCREASE IN WORKING CAPITAL \$ 71,240

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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.

"National Capitol Portrait"--three-book set

"Brumidi"

Miscellaneous books (historical interest)

"Our Nation's Capitol Coloring Book"

Calendars--school and calendar years

Slides--sets, sleeves, and individual

Post cards

Place mats--set of four

Spoons and plates

Capitol jewelry

Presidential medals

Viewmaster sets and reels

Cameras, film, and accessories

APPENDIX II

UNITED STATES CAPITOL HISTORICAL SOCIETY

BOARD OF TRUSTEES

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

OFFICERS

President	The Honorable Fred Schwengel
Vice presidents	The Honorable Hubert H. Humphrey Dr. Melvin M. 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 Department	Mr. Richard C. Davis
Administrative and Accounting Department	Mrs. Florence C. Miller
History Department	Mr. William M. Maury

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