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Audit Of Financial Statements
Government Services, Inc.
Year Ended December 31, 1972

B-114820

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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MARCH 28, 1973



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

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To
The Board of Trustees
Government Services, Inc.

The General Accounting Office has made an audit, pursuant to your request, of GOVERNMENT SERVICES, INC.--a private, domestic, non-stock, non-profit-sharing membership corporation--for the year ended December 31, 1972.

The audit included an examination of the corporation's statement of assets, liabilities, and accumulated income as of December 31, 1972, and related statements of income and expense and of source and application of funds for the year then ended. The examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements (schs. 1 through 4) present fairly the financial position of Government Services, Inc., at December 31, 1972, and the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

James B. Roberts

Comptroller General
of the United States

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FINANCIAL STATEMENTS

SCHEDULE

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FINANCIAL STATEMENTS

G O V E R N M E N T S E R V I C E S , I N C .

C O M P A R A T I V E S T A T E M E N T O F A S S E T S , L I A B I L I T I E S

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A S S E T S

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	<u>1972</u>	<u>1971</u>
CURRENT ASSETS:		
Cash	\$ <u>967,782</u>	\$ <u>458,157</u>
Accounts receivable	<u>434,228</u>	<u>272,703</u>
Inventories (at standard cost, which approximates cost):		
Merchandise	1,035,543	799,200
Supplies	<u>247,157</u>	<u>268,103</u>
	<u>1,282,700</u>	<u>1,067,303</u>
Prepaid expenses and other current assets	<u>104,193</u>	<u>128,319</u>
Total current assets	<u>2,788,903</u>	<u>1,926,482</u>
INVESTMENTS:		
U.S. Government bonds at cost less amortized premiums (market value \$196,360 in 1971)	-	200,354
Certificates of deposit	<u>1,810,000</u>	<u>2,500,000</u>
	<u>1,810,000</u>	<u>2,700,354</u>
LAND	<u>371,503</u>	<u>371,503</u>
BUILDINGS AND EQUIPMENT:		
Buildings	1,250,805	1,198,643
Operating equipment	4,902,218	4,040,578
Leasehold improvements (note 1)	<u>4,042,610</u>	<u>2,227,740</u>
	10,195,633	7,466,961
Less accumulated depreciation and amortization	<u>6,520,520</u>	<u>5,354,514</u>
	<u>3,675,113</u>	<u>2,112,447</u>
DEFERRED EXPENSES	<u>184,761</u>	<u>93,045</u>
Total assets	<u>\$ 8,830,280</u>	<u>\$7,203,831</u>

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LIABILITIES AND ACCUMULATED INCOME

	<u>1972</u>	<u>1971</u>
CURRENT LIABILITIES:		
Accounts payable	\$1,228,757	\$ 771,311
Accrued franchise fees	123,901	218,727
Accrued taxes	163,787	152,030
Payroll deductions withheld	78,810	68,483
Fringe benefits payable	43,846	60,418
Other current liabilities	<u>102,363</u>	<u>76,844</u>
Total current liabilities	<u>1,741,464</u>	<u>1,347,813</u>
 RESERVES:		
For replacement or major repair of Government-owned equipment (note 2)	461,745	328,962
For replacement of National Gallery of Art equipment	676	11,670
For replacement of National Bureau of Standards equipment	8,695	3,880
For replacement of Government equipment-- other independent contracts	3,139	-
Self-insurance	98,109	91,504
Special retirement benefits	<u>11,382</u>	<u>21,987</u>
	<u>583,746</u>	<u>458,003</u>
 ACCUMULATED INCOME:		
Balance at beginning of year	5,398,015	4,713,686
Net income for year	<u>1,107,055</u>	<u>684,329</u>
Balance at end of year	<u>6,505,070</u>	<u>5,398,015</u>
Total liabilities and accumulated income	<u>\$8,830,280</u>	<u>\$7,203,831</u>

SCHEDULE 2

GOVERNMENT SERVICES, INC.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

YEARS ENDED DECEMBER 31, 1972 AND 1971

	1972	1971
NET SALES AND OPERATING INCOME	\$26,990,130	\$23,409,004
Less cost of goods sold	<u>9,704,528</u>	<u>8,382,343</u>
Gross profit on sales	17,285,602	15,026,661
OPERATING EXPENSES:		
Payroll and related expenses	\$11,950,398	\$10,693,371
Employee travel	52,020	67,779
Operating supplies	1,102,663	1,001,204
Utilities and other services	818,995	573,195
Maintenance and repairs	322,905	342,512
Replacement and major repair of Government-owned equipment (note 2)	267,900	269,627
Equipment rental	72,915	65,066
Depreciation of buildings and equipment and amortization of leasehold improvements	434,941	331,326
Franchise fees and rent:		
Tennessee Valley Authority (note 1)	-	118,896
Other Government agencies	124,580	101,080
Taxes and licenses	242,003	182,060
Insurance	298,184	205,614
Professional services	241,483	255,779
Advertising and promotion	112,651	61,237
Donations	19,360	27,676
Other expenses (note 3)	<u>291,191</u>	<u>214,691</u>
	16,352,189	14,511,113
Net operating income	933,413	515,548
OTHER INCOME	<u>173,642</u>	<u>168,781</u>
Net income	<u>\$ 1,107,055</u>	<u>\$ 684,329</u>

GOVERNMENT SERVICES, INC.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1972

FUNDS WERE OBTAINED FROM:

Net sales and operating income	\$26,990,130
Other income	173,642
Sale of U.S. Government bonds	200,000
Sale of certificates of deposit	<u>690,000</u>
Total funds obtained	28,053,772

FUNDS WERE APPLIED TO:

Cost of sales	\$ 9,704,528
Operating expenses	<u>16,352,189</u>
Total	26,056,717

Less expenses not requiring the expenditure of funds (note a)	<u>1,769,008</u>
	24,287,709

Replacement of Government-owned equipment--GSA	119,637
Increase in operating equipment and leasehold improvements	3,056,816
Reduction of special retirement fund	10,604
Increase in deferred expenses	91,716
Replacement of Government-owned equipment--National Gallery of Arts	<u>18,520</u>

Total funds applied	<u>27,585,002</u>
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INCREASE IN WORKING CAPITAL	<u>\$ 468,770</u>
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	<u>1972</u>	<u>1971</u>	<u>Increase or decrease(-)</u>
Current assets	\$ 2,788,903	\$ 1,926,482	\$ 862,421
Less current liabilities	<u>1,741,464</u>	<u>1,347,813</u>	<u>393,651</u>
Working capital	<u>\$ 1,047,439</u>	<u>\$ 578,669</u>	<u>\$ 468,770</u>

^a Expenses not requiring the expenditure of funds during the current year consisted of the following items:

Depreciation of buildings and equipment and amortization of leasehold improvements	\$1,494,150
Amortization of bond premiums	354
Provision for self-insurance	6,604
Provision for replacement and major repair of Government-owned equipment	<u>267,900</u>
	<u>\$1,769,008</u>

SCHEDULE 4

GOVERNMENT SERVICES, INC. COMPARATIVE STATEMENT OF INCOME AND EXPENSE BY DIVISION FOR THE YEARS ENDED DECEMBER 31, 1972 AND 1971

	Consolidated total		Operations Division (note a)		Recreation and Parks Division (note b)		Miscellaneous Division (note c)	
	1972	1971	1972	1971	1972	1971	1972	1971
SALES	\$26,990,130	\$23,409,004	\$19,927,275	\$19,535,767	\$7,013,368	\$3,830,202	\$49,487	\$43,035
LESS OPERATING EXPENSES:								
Cost of goods sold	9,704,528	8,382,343	7,382,705	7,220,334	2,321,823	1,162,009	-	-
Other operating expenses (note 3)	16,352,189	14,511,113	12,363,688	11,999,538	3,942,894	2,374,130	45,607	^d 137,445
	26,056,717	22,893,456	19,746,393	19,219,872	6,264,717	3,536,139	45,607	137,445
INCOME FROM OPERATIONS	933,413	515,548	180,882	315,895	748,651	294,063	3,880	-94,410
OTHER INCOME	173,642	168,781	5,185	4,953	91,785	63,914	^e 76,672	^e 99,914
Net income	\$ 1,107,055	\$ 684,329	\$ 186,067	\$ 320,848	\$ 840,436	\$ 357,977	\$80,552	\$ 5,504

^aThe Operations Division includes all GSI cafeterias and snack bars.

^bThe Recreation and Parks Division includes GSI operations at Fontana, North Carolina, Sequoia/Kings Canyon National Park, Mt. Ranier National Park, and metropolitan parks in Washington, D.C.

^cThe Miscellaneous Division includes GSI operations at the Warrenton Training Center, the Armed Forces Experimental Training Activity, and the Miscellaneous Office Unit.

^dOther operating expenses of the Miscellaneous Division includes the write-off of inventories and equipment at Bear Creek Junction totaling \$79,718.

^eOther income of the Miscellaneous Division includes interest on investments of \$71,612 for 1972 and \$95,310 for 1971.

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NOTES TO FINANCIAL STATEMENTS

1. Under the terms of a 30-year lease and conveyance agreement with the Tennessee Valley Authority (TVA), GSI acquired title to recreational facilities of Fontana Village, North Carolina. The agreement also specifies that GSI will, within 10 years from the effective date of the agreement (January 1, 1972), invest or bind itself by contract to invest not less than \$3 million in capital improvement to the leased premises. The agreement also specifies that beginning January 1, 1972, and continuing through December 31, 1981, GSI shall pay to TVA, for the use of the leased premises and for the conveyance of TVA's right, title, and interest in improvements, buildings and facilities, \$30,000 plus 2 percent of all gross revenue for such year in excess of \$2 million. Rental for the first 5 years shall not be due and payable until the end of the 5-year period. If, during the 5-year period GSI has invested or bound itself by contract to invest at least \$1,500,000 for capital improvements, the entire rental for the initial 5-year period shall be excused.
2. Under the terms of the contract between General Services Administration and GSI, dated July 21, 1971, GSI is required to credit to the reserve for replacement and major repair of Government-owned equipment an amount up to 1-1/2 percent of its gross income each accounting period. The estimated amount specified in the annual budget of GSI as approved by GSA for replacement and major repair of Government-owned equipment determines the amount to be credited to the reserve account, and the 1-1/2 percent is considered the maximum amount to be so credited.
3. GSI assumed full financial responsibility for the net operating results at both Sequoia/Kings Canyon and Mt. Rainier National Parks concessions beginning January 1, 1972; however, GSI did not begin operating Sequoia until January 29, 1972, and Mt. Rainier until April 22, 1972. Prior to these dates, the concessions were operated by Amfac/Fred Harvey, Inc., and in accordance with the terms of the purchase agreement GSI reimbursed Fred Harvey for the net operating losses incurred during this period. These losses totaled \$62,664 and are included as other expenses.