

GAO

Report to the President of the Senate and  
the Speaker of the House of  
Representatives

November 1986

FINANCIAL AUDIT

Senate Building  
Beauty Shop's  
Financial Statements  
for 1986 and 1985



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Comptroller General  
of the United States

B-133046

November 10, 1986

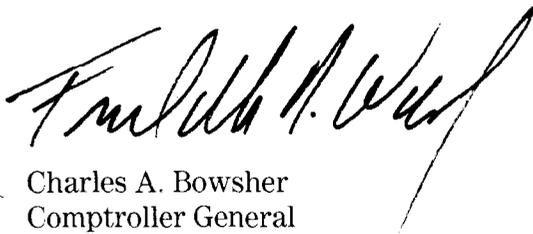
To the President of the Senate and the  
Speaker of the House of Representatives

In accordance with section 451 of the Legislative Reorganization Act of 1970 (40 U.S.C. 193m-1), which authorizes the General Accounting Office to audit private organizations conducting activities on the Capitol grounds, we have examined the balance sheets of the Senate Building Beauty Shop as of February 28, 1986 and 1985, and the related statements of operations, changes in financial position, and changes in partners' capital accounts for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our fieldwork on July 29, 1986.

In our opinion, the financial statements referred to above present fairly the financial position of the Senate Building Beauty Shop as of February 28, 1986 and 1985, and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles and the financial accounting policies described in the note to the financial statements applied on a consistent basis.

This report contains our report on internal accounting controls and compliance with laws and regulations. It also includes the Senate Building Beauty Shop's financial statements and accompanying note for the fiscal years ended February 28, 1986 and 1985.

We are sending copies of this report to cognizant congressional committees and to the Senate Sergeant at Arms. Copies will be made available to others upon request.

*for*   
Charles A. Bowsher  
Comptroller General  
of the United States

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# Report on Internal Accounting Controls and Compliance With Laws and Regulations

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We have examined the financial statements of the Senate Building Beauty Shop for the years ended February 28, 1986, and February 28, 1985. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our preliminary review of the system of internal accounting controls and our review of compliance with laws and regulations for the year ended February 28, 1986. (Our report on internal accounting controls and compliance with laws and regulations for the year ended February 28, 1985, is presented in GAO/AFMD-85-64, dated August 1, 1985.)

We did not complete a study and evaluation of the partnership's system of internal accounting controls for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the partnership's financial statements. Based on our preliminary review, we concluded that it was more efficient to expand our substantive audit tests in examining the financial statements for the year ended February 28, 1986.

While we did not perform a complete study and evaluation of the partnership's system of internal accounting controls, we did not become aware of any condition during our expanded substantive audit tests which we believe to be a material weakness. In audits where we do study and evaluate the internal accounting control system, material weaknesses in the system would not necessarily be disclosed. Accordingly, even in such cases, we would not be able to express an opinion on the system taken as a whole.

As part of our examination, we also tested the partnership's compliance with applicable laws and regulations. In our opinion, the Senate Building Beauty Shop complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention in connection with our examination that caused us to believe that the partnership was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

# Balance Sheet

|   | February 28,    |                 |
|---|-----------------|-----------------|
|   | 1986            | 1985            |
| <b>Assets</b>                                       |                 |                 |
| Current Assets                                      |                 |                 |
| Cash  | \$8,556         | \$7,627         |
| Accounts receivable                                 | 626             | 0               |
| Inventory   | 2,528           | 2,030           |
| Prepaid taxes                                       | 0               | 293             |
| <b>Total current assets</b>                         | <b>11,710</b>   | <b>9,950</b>    |
| Fixed Assets  |                 |                 |
| Furniture, fixtures, and equipment                  | 18,132          | 16,695          |
| Less: Accumulated depreciation                      | 16,613          | 16,195          |
|   | 1,519           | 500             |
| Improvements  | 6,838           | 6,838           |
| Less: Accumulated amortization                      | 6,156           | 6,006           |
|   | 682             | 832             |
| <b>Total fixed assets</b>                           | <b>2,201</b>    | <b>1,332</b>    |
| <b>Total Assets</b>                                 | <b>\$13,911</b> | <b>\$11,282</b> |
| <b>Liabilities and Partners' Capital</b>            |                 |                 |
| Liabilities   |                 |                 |
| D.C. sales taxes payable                            | \$91            | \$144           |
| Accrued federal and D.C. unemployment taxes payable | 334             | 304             |
| D.C. withholding taxes payable                      | 482             | 314             |
| Va. withholding taxes payable                       | 218             | 0               |
| Md. withholding taxes payable                       | 194             | 0               |
| <b>Total liabilities</b>                            | <b>1,319</b>    | <b>762</b>      |
| Partners' Capital                                   |                 |                 |
| Mario Vouzikas                                      | 6,296           | 5,260           |
| Liria Vouzikas                                      | 6,296           | 5,260           |
| <b>Total partners' capital</b>                      | <b>12,592</b>   | <b>10,520</b>   |
| <b>Total Liabilities and Partners' Capital</b>      | <b>\$13,911</b> | <b>\$11,282</b> |

The accompanying note is an integral part of this statement.

# Statement of Operations

|                                  | <b>Years ended February 28,</b> |                 |
|----------------------------------|---------------------------------|-----------------|
|                                  | <b>1986</b>                     | <b>1985</b>     |
| <b>Revenue</b>                   |                                 |                 |
| Beauty services and retail sales | \$201,269                       | \$193,173       |
| <b>Operating Expenses</b>        |                                 |                 |
| Salaries                         | 134,273                         | 128,206         |
| Beauty supplies and purchases    | 16,818                          | 19,757          |
| Payroll taxes                    | 11,825                          | 12,422          |
| Insurance                        | 1,878                           | 2,046           |
| Depreciation and amortization    | 567                             | 552             |
| Accounting and legal fees        | 2,450                           | 2,100           |
| Office supplies                  | 1,823                           | 1,991           |
| Telephone                        | 1,047                           | 555             |
| Other taxes                      | 1,254                           | 1,354           |
| Dues and subscriptions           | 281                             | 171             |
| Promotions                       | 628                             | 548             |
| Contributions                    | 72                              | 100             |
| Bank charges                     | 505                             | 221             |
| Advertising                      | 167                             | 217             |
| Repairs and maintenance          | 59                              | 224             |
| Returned checks                  | 152                             | 0               |
| Personal property taxes          | 0                               | 185             |
| <b>Total operating expenses</b>  | <b>173,799</b>                  | <b>170,649</b>  |
| <b>Net Income</b>                | <b>\$27,470</b>                 | <b>\$22,524</b> |

The accompanying note is an integral part of this statement.

# Statement of Changes in Financial Position

|   | Years ended February 28, |                |
|---|--------------------------|----------------|
|   | 1986                     | 1985           |
| <b>Funds Provided</b>   |                          |                |
| Net income from operations                                    | \$27,470                 | \$22,524       |
| Depreciation and amortization—not requiring an outlay of cash | 567                      | 552            |
| Decrease in prepaid taxes                                     | 293                      | 0              |
| Decrease in inventory   | 0                        | 27             |
| Increase in payroll taxes payable                             | 610                      | 363            |
| <b>Total funds provided</b>                                   | <b>28,940</b>            | <b>23,466</b>  |
| <b>Funds Applied</b>  |                          |                |
| Increase in prepaid taxes                                     | 0                        | 231            |
| Decrease in sales taxes payable                               | 53                       | 63             |
| Increase in accounts receivable                               | 626                      | 0              |
| Increase in inventory   | 498                      | 0              |
| Purchase of equipment and fixtures                            | 1,436                    | 0              |
| Partners' drawings  | 25,398                   | 23,357         |
| <b>Total funds applied</b>                                    | <b>28,011</b>            | <b>23,651</b>  |
| <b>Increase (Decrease) in Cash</b>                            | <b>\$929</b>             | <b>\$(185)</b> |

The accompanying note is an integral part of this statement.

# Statement of Changes in Partners' Capital Accounts

|                                   | Mario<br>Vouzikas | Liria<br>Vouzikas | Total           |
|-----------------------------------|-------------------|-------------------|-----------------|
| Balance, February 29, 1984        | 5,676             | \$5,676           | \$11,352        |
| Distribution of net income        | 11,262            | 11,262            | 22,524          |
|                                   | 16,938            | 16,938            | 33,876          |
| Partners' drawings                | 11,678            | 11,678            | 23,356          |
| Balance, February 28, 1985        | 5,260             | 5,260             | 10,520          |
| Distribution of net income        | 13,735            | 13,735            | 27,470          |
|                                   | 18,995            | 18,995            | 37,990          |
| Partners' drawings                | 12,699            | 12,699            | 25,398          |
| <b>Balance, February 28, 1986</b> | <b>\$6,296</b>    | <b>\$6,296</b>    | <b>\$12,592</b> |

The accompanying note is an integral part of this statement.

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# Note to Financial Statements

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## Significant Accounting Policies

Inventory is stated at cost, using the first-in, first-out method of valuation.

Furniture, fixtures, and equipment acquired before January 1, 1985, are depreciated over a 10-year life using the straight-line method. Such assets purchased after January 1, 1985, are depreciated over a 5-year life using an accelerated method of depreciation.

Improvements placed in service before January 1, 1981, have been amortized over a 10-year life using the straight-line method. Improvements placed in service after January 1, 1981, have been amortized over a 10-year life using an accelerated method of depreciation.

The financial statements do not include the costs of certain benefits and services such as space, utilities, and ordinary building repairs and maintenance that are provided to the Senate Building Beauty Shop without charge.

Net income or loss is divided equally between the partners.



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