

**DOCUMENT RESUME**

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Audit of the United States Capitol Historical Society for the Year Ended January 31, 1977. GGD-78-27; B-176631. January 9, 1978. 12 pp. + 2 appendices (3 pp.).

Report to the Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: General Government Div.

Budget Function: General Government: Legislative Functions (801).

Organization Concerned: United States Capitol Historical Society.

Congressional Relevance: House Committee on House Administration; Senate Committee on Rules and Administration; Congress.

Authority: National Visitor Center Facilities Act of 1968 (40 U.S.C. 831). (P.L. 93-226; 87 Stat. 943). (P.L. 92-56; 85 Stat. 156).

The United States Capitol Historical Society is a nonprofit organization, incorporated in the District of Columbia on August 8, 1962, composed of a board of trustees, an honorary board of trustees, officers, and paid employees. 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, and the three department managers. The Society's income is primarily from the sales of books, calendars, and other merchandise. 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. Findings/Conclusions: The Society operates the Capitol Visitor Center under contract with the Architect of the Capitol. A History Endowment Fund, established by the executive committee on January 2, 1970, showed a fund balance of \$287,344 at January 31, 1977. A feasibility study has been authorized for a Sound and Light Program on the east front of the Capitol at an estimated cost of \$10 million for the program. The Society contracted for a film for use in the National Visitor Center which was completed during the year ended January 31, 1975 at a cost of \$350,673 paid from donations. The matter of liability for sales taxes for articles sold has not been resolved. Various contributions have been received by the Society in the form of works of art and other assets, and the Society has also made contributions on behalf of the United States. Assets and liabilities totaled \$1,522,946. Financial statements were prepared on a basis consistent with that of the preceding year and presented fairly the financial position of the Society at January 31, 1977. (HTW)

04574

*REPORT TO THE CONGRESS*

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

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**Audit Of The United States  
Capitol Historical Society  
For The Year Ended  
January 31, 1977**



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-176631

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, 1977, 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.

## 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, 1977, of \$287,344 consisted of cash, investments, and interest receivable, provided through transfers of \$214,000 from the General Fund and accumulated interest and other income of \$73,344.

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. 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 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 \$4,405 in the fiscal year ended January 31, 1977. 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, paid from donations for this purpose.

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.

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, 1977, \$1,350 in contributions had been received by the Society for the portrait.

In December 1976 the Society received a \$1,000 contribution for a portrait of the Honorable George M. White, Architect of the Capitol. This money is being held in trust pending arrangements by the Society for painting 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 \$26,000 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 artwork in the House wing. The initial artwork was completed in July 1974.

During the year ended January 31, 1976, the Society hired an artist to prepare a master plan for additional 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. The master plan was completed in 1976, and the artist is preparing sketches for the paintings, which he plans to start in late 1978.

The National Society of Daughters of the American Revolution has contributed \$150,000 to fund the additional artwork. In December 1976 the Society transferred \$111,700 to the Architect of the Capitol 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, 1977, and such other auditing procedures as we considered necessary.

#### OPINION OF 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, 1977, the results of its operations, and the changes in its financial position for the year then ended.

  
Comptroller General  
of the United States

## **SCHEDULES**



SCHEDULE 1

UNITED STATES CAPITOL HISTORICAL SOCIETY

BALANCE SHEET

JANUARY 31, 1977

ASSETS

	General fund	History endowment fund	<u>Total</u>
<b>CURRENT ASSETS:</b>			
Cash in bank and on hand	\$ 41,954	\$ 382	\$ 42,336
Temporary investments:			
Certificates of deposit	200,000	50,000	250,000
Savings accounts	28,084	101,840	129,924
Notes	248,000	5,000	253,000
Government and quasi- government bonds	29,966	126,248	156,214
U.S. Treasury bills	207,349	-	207,349
Accounts receivable	43,985	-	43,985
Interest receivable	19,327	3,874	23,201
Inventory (cost)	404,186	-	404,186
Prepaid expenses	<u>3,757</u>	<u>-</u>	<u>3,757</u>
 Total current assets	 <u>1,226,698</u>	 <u>287,344</u>	 <u>1,514,042</u>
<b>FIXED ASSETS:</b>			
Office furniture and equipment	\$ 17,593		
Less accumulated depre- ciation	<u>11,793</u>	<u>5,800</u>	<u>5,800</u>
 Total fixed assets	 <u>5,800</u>	 <u>-</u>	 <u>5,800</u>
<b>OTHER ASSETS (note a):</b>			
Library	1,480	-	1,480
Inventory reserve (note b)	<u>1,714</u>	<u>-</u>	<u>1,714</u>
 Total other assets	 <u>3,194</u>	 <u>-</u>	 <u>3,194</u>
 <b>TOTAL ASSETS</b>	 <b><u>\$1,235,602</u></b>	 <b><u>\$287,344</u></b>	 <b><u>\$1,522,946</u></b>

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	\$ 26,000	Insured value
Grandfather clock	1,250	1972 appraisal
Film, "City Out of Wilderness-- Washington"	350,673	Cost

b/Dated publications and medals retained by the Society because of historical significance.

c/Does not include contingent liability for sales taxes as explained on p. 3.

d/Receipts from the sale of the book "Magna Carta and the Tradition of Liberty" are segregated in the records to provide funds for the printing of a second edition as provided in the agreement with the American Revolution Bicentennial Administration.

e/Gross income on investments.

Note: 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.

LIABILITIES, PROGRAMS, AND FUND PRINCIPAL

	General fund	History endowment fund	Total
<b>LIABILITIES (note c):</b>			
Accounts payable	\$ 8,963	\$ -	\$ 8,963
Accrued expenses	6,033	-	6,033
Deferred receipts -	<u>4/6,610</u>	-	<u>6,610</u>
Total liabilities	<u>21,606</u>	-	<u>21,606</u>
<b>SOUND AND LIGHT PROGRAM:</b>			
Balance, February 1, 1976	35,072	-	35,072
Contributions	<u>4,405</u>	-	<u>4,405</u>
Total Sound and Light Program	<u>39,477</u>	-	<u>39,477</u>
<b>MELVIN PRICE PORTRAIT FUND</b>	<u>1,350</u>	-	<u>1,350</u>
<b>WHITE PORTRAIT FUND</b>	<u>1,000</u>	-	<u>1,000</u>
<b>ARTWORK (CAPITOL):</b>			
Balance, February 1, 1976	15,000	-	15,000
Contributions received	<u>135,000</u>	-	<u>135,000</u>
Total receipts	150,000	-	150,000
Funds disbursed	<u>(111,700)</u>	-	<u>(111,700)</u>
Total Artwork (Capitol)	<u>38,300</u>	-	<u>38,300</u>
<b>FUND PRINCIPAL:</b>			
Balance, February 1, 1976	989,735	267,910	1,257,645
Net income, year ended January 31, 1977	<u>144,134</u>	<u>9/19,434</u>	<u>163,568</u>
Total fund principal	<u>1,133,869</u>	<u>287,344</u>	<u>1,421,213</u>
<b>TOTAL LIABILITIES, PROGRAMS, AND FUND PRINCIPAL</b>	<u>\$1,235,602</u>	<u>\$287,344</u>	<u>\$1,522,946</u>

UNITED STATES CAPITOL HISTORICAL SOCIETYINCOME AND EXPENSE STATEMENTGENERAL FUNDYEAR ENDED JANUARY 31, 1977

<b>OPERATING INCOME:</b>			
Sales (less discounts of \$46,102)			\$1,175,581
Cost of merchandise sold			<u>681,594</u>
Gross profit from sales			493,987
<b>SELLING AND ADMINISTRATIVE EXPENSES:</b>			
Salaries	\$261,904		
Payroll taxes	16,991		
Office rent	13,851		
Group and general insurance	8,613		
Membership	4,085		
Promotion	16,052		
Storage	3,626		
Office	5,076		
Postage and other mailing expenses	5,288		
General Counsel	9,467		
Computer	1,320		
Dues	405		
Consultant fee	5,000		
Royalty payments	1,294		
Audit fees	2,100		
Bad debts	231		
Sundry	1,603		
Depreciation	1,377		
Capitol studies	6,571		
Obsolete material written off	1,505		
			<u>366,359</u>
Net operating income			127,628
<b>NONOPERATING INCOME:</b>			
Royalties	\$15,890		
Interest on investments	47,813		
Membership dues and contributions	3,798		
Invoice discount	<u>2,903</u>	70,404	
<b>NONOPERATING EXPENSE:</b>			
Contributions	45,424		
Oral history program	6,086		
Investment services	<u>2,388</u>	<u>53,898</u>	<u>16,506</u>
Net income			<u>\$ 144,134</u>

Note: 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 SOCIETY  
STATEMENT OF CHANGES IN FINANCIAL POSITION

GENERAL FUND

YEAR ENDED JANUARY 31, 1977

<b>FUNDS PROVIDED:</b>		
Sales (net of discounts)		\$1,175,581
Interest on investments		47,813
Royalties		15,890
Invoice discount		2,903
Contributions:		
Sound and Light Program		4,405
Artwork (Capitol)		135,000
Membership contributions		3,798
George White Portrait Fund		<u>1,000</u>
Total		<u>\$1,386,390</u>
<b>FUNDS APPLIED:</b>		
Costs (excluding depreciation and write-off of obsolete material)		\$1,098,982
Acquisition of equipment		247
Additions to library		124
Artwork (Capitol)		111,700
Increase in working capital		<u>175,337</u>
Total		<u>\$1,386,390</u>
<u>Analysis of Changes in Working Capital</u>		
		Increase or decrease (-)
<b>WORKING CAPITAL CHANGES:</b>		
Cash		\$ -6,707
Cash investments		-37,522
Accounts receivable		-70,107
Interest receivable		469
Inventory		160,833
Prepaid expenses		-2,286
Accounts payable		138,111
Accrued expenses		-844
Deferred receipts - Magna Carta		<u>-6,610</u>
<b>NET INCREASE IN WORKING CAPITAL</b>		<u>\$175,337</u>

Note: 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 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 usually accumulated until the project is completed, at which time the fund is charged with the cost of the project. An exception to this procedure was made during the year ended January 31, 1977, in contributing money to the Architect of the Capitol to fund artwork in the Capitol before completion of the project.

## **APPENDIXES**

MAJOR MERCHANDISE SOLD BY THE  
UNITED STATES CAPITOL HISTORICAL SOCIETY

## BOOKS:

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

"National Capitol Portrait"--four-book set

"Our Nation's Capitol Coloring Book"

"Washington, D.C.--Past and Present"

Miscellaneous books of historical interest

Calendars--calendar year

Photographs, prints, slides

Post cards, folders, and albums

Place mats--set of four

Spoons

Capitol jewelry

Film, filmstrips, viewmasters, and cameras

Medals and accessories

Sandstone bookends and paperweights

UNITED STATES CAPITOL HISTORICAL SOCIETYACTIVE BOARD OF TRUSTEESAS OF JANUARY 31, 1977

Mrs. Lonnette Aikman	The Honorable Charles McC. Mathias, Jr.
Mrs. Robert Low Bacon	Mr. Gene McGreevy
Mr. Amnon Barness	The Honorable F. Bradford Morse
Mr. Ralph E. Becker	Mr. Ralph G. Newman
Mr. Herbert Blunck	The Honorable J. J. Pickle
Mr. John Boles	Dr. Harold T. Pinkett
The Honorable Frances P. Bolton	Mr. Forrest C. Pogue
The Honorable John Brademas	Mrs. Dorothy Ragan
The Honorable Robert C. Byrd	Mr. Clement M. Silvestro
Mr. Mario Campioli	Colonel Charles J. Simpson
Mrs. Edward Clark	Mrs. Wakelee Smith
Dr. Leslie W. Dunlap	The Honorable Robert Stephens, Jr.
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Mr. Bryce N. Harlow	The Honorable Guy Vander Jagt
The Honorable Mark O. Hatfield	Mr. Frank van der Linden
The Honorable Brooks Hays	The Honorable George M. White
Mr. Oliver Jensen	The Honorable Ralph Yarborough
The Honorable Walter H. Judd	
Mr. James Ketchum	

OFFICERS

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Vice presidents	The Honorable Marguerite Stitt Church
	Mr. Carl Haverlin
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	Dr. Walter Rundell, Jr.
Treasurer	Mr. Victor M. Birely
Recording Secretary	Mrs. Florian Thayn

PRINCIPAL PAID PERSONNEL

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Executive secretary	Mr. Oliver B. Patton
Department managers:	
Sales department	Mr. John H. Beck
Administrative and accounting department	Mrs. Florence C. Miller
History department	Mr. William M. Maury

(41047)