

DOCUMENT RESUME

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Audit of the United States Capitol Historical Society for the Year Ended January 31, 1978. GGD-79-2; B-176631. December 5, 1978. 13 pp. + 3 appendices (6 pp.).

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

Issue Area: Accounting and Financial Reporting: Operations, Financial Position, and Changes (2802).

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: (P.L. 92-56; 85 Stat. 156); H.J. Res. 169 (92nd Cong.). National Visitor Center Facilities Act of 1968 (40 U.S.C. 831). (P.L. 95-229; 92 Stat. 26); H.J. Res. 386 (95th Cong.). (P.L. 93-226; 87 Stat. 943); H.J. Res. 736 (93rd Cong.).

The United States Capitol Historical Society is a nonprofit organization composed of a board of trustees, an honorary board of trustees, officers, and paid employees. It operates the Capitol Visitor Center under contract with the Architect of the Capitol. Its daily operations are carried out by three departments--sales, administrative and accounting, and history. Two funds are maintained to record the income and expenses for the Society's operations--the History Endowment Fund and the General Fund. Income to the General Fund is primarily from sales of merchandise, and other sources of income include royalties, interest from investments, and contributions. Findings/Conclusions: The fund balance of the History Endowment Fund at January 31, 1978, was \$474,913. Unrecorded assets of the General Fund included a film which will yield royalties, a cultured pearl replica of the Capitol, and an old grandfather clock. Possible sales tax liabilities for the General Fund could result from the sale of articles for which no sales tax was paid. Active Society projects include renovation and artwork in the Capitol and a bicentennial medals program. Inactive projects include the Sound and Light Program which is awaiting approval of a Senate commission and portraits of congressional officials for which contributed funds are being held pending arrangements. Financial statements prepared by GAO were the same as those prepared for the Society by its accountants except for some reclassification of accounts and adjustments for accrued interest on investments. The income and expense statement did not include the cost of certain benefits and services furnished to the Society without charge. Subject to adjustments which may result from determination of liability for sales tax, the

statements presented fairly the financial position of the Society at January 31, 1978, the results of its operations, and the changes in its financial position. (HTW)

8534

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

**Audit Of The United States
Capitol Historical Society
For The Year Ended
January 31, 1978**



GGD-79-2

DECEMBER 5, 1978



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, 1978, 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 at the annual meeting of the board of trustees. The officers may be paid for their services and reimbursed for their expenses.

Principal paid employees include the president; the executive secretary, who is appointed by the board of trustees; and the three department managers.

Pursuant to title III of 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 and sales 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, N.E., 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, 1979, 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.

OPERATIONS

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.

Two funds are maintained to record the income and expenses for the Society's operations--the History Endowment Fund and the General Fund.

History Endowment Fund

The History Endowment Fund was established by the executive committee on January 2, 1970, to finance the Society's publications or other activities determined by the executive committee. The fund balance at January 31, 1978, of \$474,913 consisted of cash, investments, and interest receivable, provided through transfers of \$365,553 from the General Fund and accumulated interest and other income of \$109,360.

General Fund

Income to the General Fund is primarily from the sales of books, calendars, and other merchandise. (See app. III.) Other sources of income include royalties from products copyrighted and designed by the Society, interest from investments, and contributions.

The status of certain items relating to the General Fund financial statements are discussed below.

Unrecorded assets

A Society-sponsored 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. The value of the film is not recorded in the Society's account.

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.

The cost of the film and the value of the donated assets are shown in appendix I--Notes to the Financial Statements.

Possible sales tax liability

On April 24, 1964, the Society obtained from the District of Columbia government a sales tax exemption for its "We, the People" book. 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. The Society's president told us that the Society's counsel has followed up on the request, but has not received a response. No provision has been made in the financial statements for the contingent liability for sales taxes, which the Society estimates would be about \$55,000. However, adequate funds are available to settle any claim.

Active projects

Renovation and artwork in the Capitol

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. The information counter is manned by Society employees who give 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.

House Joint Resolution 169 (Public Law 92-56, 85 Stat. 156), approved July 29, 1971, authorized the Architect of the Capitol to accept funds from the Society for painting murals in the House wing.

The Society donated \$95,000 and the National Society of Daughters of the American Revolution contributed \$150,000 to finance artwork in the House wing. In accordance with the resolution, the Society has transferred \$206,700 to the Architect of the Capitol. The Society has retained \$38,300 to cover future artwork costs.

The initial artwork was completed in July 1974. During the year ended January 31, 1976, the Society hired Mr. Allyn Cox to prepare a master plan for additional artwork of the remaining first floor corridors of the House wing. Upon completion of the master plan and preparation of sketches, the Architect contracted with Mr. Cox to do the paintings. He began the paintings in May 1978 and expects to be completed by May 1980.

Bicentennial Medals Program

The Society entered into an agreement on April 29, 1977, with Commemorative Marketing and Communication Consultants, Inc., to develop a bicentennial medals program to commemorate outstanding historic events and personalities from 1777 to 1789. The program, as planned, was contingent upon the Congress enacting legislation authorizing the Secretary of the Treasury to furnish the Society no less than one medal for each of the 13 years. However, House Joint Resolution 386 (Public Law 95-229, 92 Stat. 26), approved February 14, 1978, authorized the Secretary of the Treasury to strike and furnish up to 104,000 medals commemorating the bicentennial of an outstanding historic event or personality during 1777

only. Therefore, if the program is to continue as planned, the Congress will have to enact legislation authorizing medals for the other years.

Under the agreement, the consultant is to negotiate a production contract with the U.S. Mint on behalf of the Society, provide the U.S. Mint with any reasonably required security for implementing the initial medals program, and advance other required start-up costs. The Society is to reimburse the consultant for all advances applicable to the initial program and to pay the consultant an annual base fee of \$48,000 and fixed percentages of annual profits.

The Society initially planned to sponsor 13 annual symposiums in conjunction with the bicentennial medals program, at which knowledgeable scholars would present papers relating to historic events that occurred during the bicentennial year being observed. The Society's executive committee later decided to hold only three annual symposiums with continuation of the series to be determined later.

The first symposium, a 2-day meeting featuring a commentator and four lecturers, was held in March 1978. The Society's executive committee authorized funding of \$10,000 for the first symposium.

Inactive projects

Sound and Light Program

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 million. 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. It expects 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 Society received contributions of \$655 for this program during the year ended January 31, 1978. However, full scale fundraising activities have been suspended pending the Senate Commission's approval.

Portraits of congressional officials

During the year ended January 31, 1973, the Society agreed to act as coordinator and collector of contributions for the portrait of the Honorable Melvin Price. As of January 31, 1978, \$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. These moneys are being held in trust pending arrangements by the Society for painting the portraits.

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, 1978, and such other auditing procedures as we considered necessary.

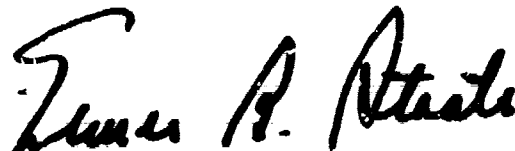
OPINION OF FINANCIAL STATEMENTS

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

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year and in accordance with the financial arrangements described above, present fairly the financial position of the Society at January 31, 1978, the results of its operations, and the changes in its financial position for the year then ended.

A handwritten signature in black ink, appearing to read "James P. Attala". The signature is written in a cursive style with a large initial "J".

Comptroller General
of the United States

SCHEDULES

SCHEDULE 1

UNITED STATES CAPITOL HISTORICAL SOCIETY

BALANCE SHEET

JANUARY 31, 1978 (note a)

	ASSETS		
	<u>General fund</u>	<u>History endowment fund</u>	<u>Total</u>
CURRENT ASSETS:			
Cash in bank and on hand	\$ 20,380	\$ 962	\$ 31,342
Temporary investments:			
Certificates of deposit	100,000	150,000	250,000
Savings accounts	17,646	122,225	139,871
Commercial notes	734,000	17,000	751,000
Government and quasi- government notes		49,933	49,933
U.S. Treasury notes	100,188	126,409	226,597
Accounts receivable	21,054	-	21,054
Interest receivable	10,157	8,384	18,541
Inventory (cost)	235,538	-	235,538
Prepaid expenses	<u>3,809</u>	<u>-</u>	<u>3,809</u>
Total current assets	<u>1,252,772</u>	<u>474,913</u>	<u>1,727,685</u>
FIXED ASSETS:			
Office furniture and equipment	\$18,763		
Less accumulated depre- ciation	<u>13,183</u>	<u>-</u>	<u>5,580</u>
Total fixed assets	<u>5,580</u>	<u>-</u>	<u>5,580</u>
OTHER ASSETS (note b):			
Library	1,570	-	1,570
Inventory reserve (note c)	<u>1,844</u>	<u>-</u>	<u>1,844</u>
Total other assets	<u>3,414</u>	<u>-</u>	<u>3,414</u>
TOTAL ASSETS	<u>\$1,261,766</u>	<u>\$474,913</u>	<u>\$1,736,679</u>

GAO note: The accompanying notes on pages 16 and 17 are an integral part of this statement.

Our opinion on this statement appears on pages 6 and 7 of the letter.

LIABILITIES, PROGRAMS AND FUND PRINCIPAL

	<u>General fund</u>	<u>History endowment fund</u>	<u>Total</u>
LIABILITIES (note d):			
Accounts payable	\$ 62,277	\$ -	\$ 62,277
Accrued expenses	7,971	-	7,971
Deferred receipts (note e)	<u>10,143</u>	<u>-</u>	<u>10,143</u>
Total liabilities	<u>80,391</u>	<u>-</u>	<u>80,391</u>
SOUND AND LIGHT PROGRAM:			
Balance, February 1, 1977	39,477	-	39,477
Contributions	<u>655</u>	<u>-</u>	<u>655</u>
Total Sound and Light Program	<u>40,132</u>	<u>-</u>	<u>40,132</u>
ARTWORK (CAPITOL)	<u>38,300</u>	<u>-</u>	<u>38,300</u>
GEORGE WHITE PORTRAIT FUND	<u>1,000</u>	<u>-</u>	<u>1,000</u>
MELVIN PRICE PORTRAIT FUND	<u>1,350</u>	<u>-</u>	<u>1,350</u>
FUND PRINCIPAL:			
Balance, February 1, 1977	1,133,969	287,344	1,421,213
Net income, year ended January 31, 1978	118,277	f/36,016	154,293
Transfer to History Endowment Fund	<u>(151,353)</u>	<u>151,553</u>	<u>-</u>
Total fund principal	<u>1,100,593</u>	<u>\$474,913</u>	<u>\$1,575,506</u>
TOTAL LIABILITIES, PROGRAMS, AND FUND PRINCIPAL	<u>\$1,261,766</u>	<u>\$474,913</u>	<u>\$1,736,679</u>

UNITED STATES CAPITOL HISTORICAL SOCIETYINCOME AND EXPENSE STATEMENTGENERAL FUNDYEAR ENDED JANUARY 31, 1978 (note a)

OPERATING INCOME:

Sales (less discounts of \$27,431)	\$1,133,320
Cost of merchandise sold	<u>665,218</u>

Gross profit from sales	468,102
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SELLING AND ADMINISTRATIVE EXPENSES:

Salaries	\$255,785	
Payroll taxes	17,608	
Group and general insurance	9,529	
Retirement annuity	10,055	
Postage and other mailing activities	5,344	
Promotion	7,506	
Membership	3,902	
Office	5,530	
Office rent	15,262	
Storage	4,170	
Capitol studies	8,558	
Medals program	16,000	
General Counsel	10,133	
Dues	410	
Obsolete material written off	14,658	
Sundry	2,465	
Audit fee	2,200	
Bad debts	190	
Inventory shortage	1,715	
Depreciation	1,390	
Computer	1,320	
		<u>393,730</u>

Net operating income	74,372
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NONOPERATING INCOME:

Interest on investments	\$43,357	
Membership dues and contributions	4,290	
Invoice discounts	2,700	
Royalties	7,012	57,359

NONOPERATING EXPENSES:

Contributions	1,200	
Oral history program	10,025	
Investment services	<u>2,229</u>	<u>13,454</u>
		<u>43,905</u>

Net income	<u>\$ 118,277</u>
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GAO note: The accompanying notes on pages 16 and 17 are an integral part of this statement.

Our opinion on this statement appears on pages 6 and 7 of the letter.

UNITED STATES CAPITOL HISTORICAL SOCIETY
STATEMENT OF CHANGES IN FINANCIAL POSITION

GENERAL FUND

YEAR ENDED JANUARY 31, 1978 (note a)

FUNDS PROVIDED:

Sales (net of discounts)	\$1,133,320
Interest on investments	43,357
Royalties	7,012
Invoice discounts	2,700
Contributions:	
Sound and Light Program	655
Membership contributions	4,290
Decrease in working capital	<u>32,621</u>
Total	<u>\$1,220,955</u>

FUNDS APPLIED:

Costs (excluding depreciation)	\$1,071,012
Equipment acquisitions	1,170
Additions to library	91
Transfer to inventory reserve	129
Authorized transfers to History Endowment Fund	<u>151,553</u>
Total	<u>\$1,223,955</u>

Analysis of Changes in Working Capital

	<u>Increase or decrease (-)</u>
WORKING CAPITAL CHANGES:	
Cash	\$ -11,574
Cash investments	238,436
Accounts receivable	-22,931
Interest receivable	-9,170
Inventory	-168,648
Prepaid expenses	52
Accounts payable	-53,314
Accrued expenses	-1,939
Deferred receipts - Magna Carta	<u>-3,533</u>
NET DECREASE IN WORKING CAPITAL	<u>\$-32,621</u>

GAO note: The accompanying notes on pages 16 and 17 are an integral part of this statement.

Our opinion on this statement appears on pages 6 and 7 of the letter.

APPENDIXES

UNITED STATES CAPITOL HISTORICAL SOCIETYNOTES TO THE FINANCIAL STATEMENTSJANUARY 31, 1978

a/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, when the Society contributed money to the Architect of the Capitol to fund artwork in the Capitol before completion of the project.

b/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

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

d/Does not include contingent liability for sales taxes as explained on page 3 of the letter.

e/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.

f/Gross income from investments, and royalties.

UNITED STATES CAPITOL HISTORICAL SOCIETYACTIVE BOARD OF TRUSTEESAS OF JANUARY 31, 1978

Mrs. Lonnelle Aikman	The Honorable Charles McC. Mathias, Jr.
Mrs. Robert Low Bacon	Mr. Gene McGreevy
Mr. Ralph E. Becker	The Honorable F. Bradford Morse
Mr. Herbert Blunck	Mr. Ralph G. Newman
The Honorable John Brademas	The Honorable J. J. Pickle
The Honorable Robert C. Byrd	Dr. Harold T. Pinkett
Mr. Mario Campioli	Dr. Forrest C. Pogue
Mrs. Edward Clark	Mrs. Dorothy W. S. Ragan
Mr. Hyman J. Cohen	Mr. Clement M. Silvestro
The Honorable Barber B. Conable, Jr.	Colonel Charles J. Simpson
Mr. Robert E. Doyle	Mrs. Wakelee Rawson Smith
Dr. Leslie W. Dunlap	The Honorable Robert Stephens, Jr.
Mr. Arthur B. Hanson	Mrs. Adlai Stevenson, III
Mr. Bryce M. 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
Dr. Alvin M. Josephy, Jr.	The Honorable Ralph W. Yarborough
The Honorable Walter H. Judd	
Mr. James Ketchum	

OFFICERS

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

PRINCIPAL PAID PERSONNEL

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

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

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