

May 1997

FINANCIAL AUDIT

Capitol Preservation
Fund's Fiscal Years
1996 and 1995
Financial Statements



**Comptroller General
of the United States**

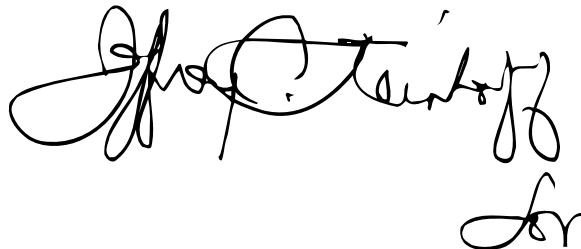
B-277057

May 30, 1997

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

This report presents our opinion on the financial statements of the Capitol Preservation Fund for the fiscal years ended September 30, 1996 and 1995. It also discusses our (1) consideration of internal controls in conducting our audit and (2) evaluation of compliance with laws and regulations during fiscal year 1996. We conducted our audit pursuant to 40 U.S.C. 188a-3 and in accordance with generally accepted government auditing standards.

We are sending copies of this report to all members of the Capitol Preservation Commission, the Architect of the Capitol, and other interested parties. Copies will be made available to others upon request. This report was prepared under the direction of Robert W. Gramling, Director, Corporate Audits and Standards, who may be reached at (202) 512-9406 if you or your staffs have any questions.



James F. Hinchman
Acting Comptroller General
of the United States

Contents

Letter	1
Opinion Letter	4
Financial Statements	8
Statements of Financial Position	8
Statements of Activities	9
Statements of Cash Flows	10
Notes to the Financial Statements	11

**Accounting and Information
Management Division**

B-277057

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

We have audited the statements of financial position of the Capitol Preservation Fund as of September 30, 1996 and 1995 (as restated for fiscal year 1995—see note 4), and the related statements of activities and statements of cash flows for the fiscal years then ended (as restated for fiscal year 1995). We found

- the financial statements were reliable in all material respects,
- no material weaknesses in the internal controls we tested, and
- no reportable noncompliance with selected provisions of laws and regulations we tested for the fiscal year ended September 30, 1996.

The following sections provide additional detail concerning our conclusions and the scope of our audit.

**Opinion on Financial
Statements**

The financial statements and accompanying notes present fairly, in all material respects, in conformity with generally accepted accounting principles, the Capitol Preservation Fund's financial position as of September 30, 1996 and 1995 (as restated for fiscal year 1995), and the results of its activities and its cash flows for the fiscal years then ended (as restated for fiscal year 1995).

**Consideration of
Internal Controls**

We gained an understanding of internal controls designed to

- safeguard assets against loss from unauthorized acquisition, use, or disposition;
- assure the execution of transactions in accordance with management's authority and with laws and regulations that could have a direct and material effect on the financial statements; and
- properly record, process, and summarize transactions to permit the preparation of reliable financial statements and to maintain accountability over assets.

The objective of our internal control work was to determine procedures for auditing the financial statements, not to express an opinion on internal controls. Accordingly, we do not express such an opinion. However, for the controls we tested, we found no material weaknesses in internal control and its operations for the fiscal year ended September 30, 1996. A

material weakness is a reportable condition¹ in which the design or operation of the internal controls does not reduce to a relatively low level the risk that losses, noncompliance, or misstatements in amounts that would be material in relation to the financial statements may occur and not be detected promptly by employees in the normal course of their assigned duties. Our internal control work would not necessarily disclose all material weaknesses.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Objectives, Scope, and Methodology

The Fund's management is responsible for

- preparing the Fund's annual financial statements in conformity with generally accepted accounting principles;
- establishing and maintaining the Fund's internal control to provide reasonable assurance that the internal control objectives mentioned above are met; and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are free of material misstatements and presented fairly, in all material respects, in conformity with generally accepted accounting principles. Also, we are responsible for obtaining a sufficient understanding of internal controls to plan the audit and for testing compliance with selected provisions of laws and regulations.

In order to fulfill these responsibilities, we

- examined evidence supporting the amounts and disclosures in the financial statements and notes;
- assessed the accounting principles used by management;
- evaluated the overall presentation of the financial statements;

¹Reportable conditions involve matters coming to the auditor's attention relating to significant deficiencies in the design or operation of internal controls that, in the auditor's judgment, could adversely affect an entity's ability to (1) safeguard assets against loss from unauthorized acquisition, use, or disposition, (2) ensure the execution of transactions in accordance with management's authority and with laws and regulations, and (3) properly record, process, and summarize transactions to permit the preparation of financial statements and to maintain accountability for assets.

- obtained an understanding of the internal control related to safeguarding assets, compliance with laws and regulations, and financial reporting; and
- tested compliance with selected provisions of laws and regulations.

We conducted our audit from January 15, 1997, to May 19, 1997, in accordance with generally accepted government auditing standards.

Library of Congress Comments

We provided a draft of our report to the Director, Financial Services, Library of Congress for review and comment. The Library of Congress provides financial management services for the Capitol Preservation Fund including preparing the Fund's financial statements. The Director agreed with the contents of our report.



Jeffrey C. Steinhoff
Director of Planning and
Reporting

May 19, 1997

Financial Statements

Statements of Financial Position

CAPITOL PRESERVATION FUND STATEMENTS OF FINANCIAL POSITION

as of September 30

	<u>1996</u>	<u>1995</u> (As Restated)
Assets:		
Cash	\$ 18,939	\$ 21,969
Investments, net (note 3)	23,662,736	22,278,305
Accounts Receivable-Surcharges	12,145	190,350
Accounts Receivable-Royalties	0	1,725
Accrued interest receivable on investments	<u>316,369</u>	<u>296,171</u>
Total assets	<u>\$24,010,189</u>	<u>\$22,788,520</u>
Liabilities and net assets:		
Accounts payable	\$ <u>0</u>	\$ <u>13,177</u>
Total liabilities	<u>\$ 0</u>	<u>\$ 13,177</u>
Unrestricted net assets (note 4)	<u>\$24,010,189</u>	<u>\$22,775,343</u>
Total net assets	<u>\$24,010,189</u>	<u>\$22,775,343</u>
Total liabilities and net assets	<u>\$24,010,189</u>	<u>\$22,788,520</u>

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statements of Activities

CAPITOL PRESERVATION FUND
STATEMENTS OF ACTIVITIES
for the Fiscal Years ended September 30

	<u>1996</u>	<u>1995</u> (As Restated)
Changes in Unrestricted Net Assets:		
Revenues:		
Interest	\$ 1,249,815	\$ 1,276,987
Surcharges	0	2,289,510
Royalties	<u>75</u>	<u>7,417</u>
Total unrestricted revenues	\$ <u>1,249,890</u>	\$ <u>3,573,914</u>
Expenses:		
Capitol Visitors Center	\$ 15,044	\$ 1,933,091
Statue of Freedom	0	20,861
Publications	<u>0</u>	<u>37,513</u>
Total expenses	\$ <u>15,044</u>	\$ <u>1,991,465</u>
Increase in unrestricted net assets (note 4)	\$ 1,234,846	\$ 1,582,449
Net assets, beginning of year	22,583,268	18,263,739
Prior Period Adjustment (note 4)	<u>192,075</u>	<u>2,929,155</u>
Net assets, beginning of year as adjusted	\$ <u>22,775,343</u>	\$ <u>21,192,894</u>
Net assets, end of year	\$ <u>24,010,189</u>	\$ <u>22,775,343</u>

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statements of Cash Flows

CAPITOL PRESERVATION FUND
STATEMENTS OF CASH FLOWS
for the Fiscal Years Ended September 30

	<u>1996</u>	<u>1995</u> (As Restated)
Cash Flows from Operating Activities		
Interest received	\$ 1,229,618	\$ 1,154,782
Surcharges received	178,205	5,028,315
Cash from sale of books	1,800	5,692
Cash paid for expenses	<u>(28,221)</u>	<u>(2,070,088)</u>
Net cash from operating activities	\$ 1,381,401	\$ 4,118,701
Cash Flows from Investing Activities		
Purchases of Treasury Securities	\$ (49,199,813)	\$ (51,403,121)
Maturities of Treasury Securities	<u>47,815,382</u>	<u>47,300,503</u>
Net cash from investing activities	\$ <u>(1,384,431)</u>	\$ <u>(4,102,618)</u>
Net (Decrease) Increase in Cash	\$ (3,030)	\$ 16,083
Cash at Beginning of Year	\$ <u>21,969</u>	\$ <u>5,886</u>
Cash at End of Year	\$ <u><u>18,939</u></u>	\$ <u><u>21,969</u></u>
Reconciliation of Increase in Unrestricted Net Assets to Net Cash from Operating Activities		
Increase in Unrestricted Net Assets	\$ 1,234,846	\$ 1,582,449
Adjustments to reconcile increase in unrestricted net assets to net cash from operating activities:		
Decrease (increase) in accounts receivable - surcharges	\$ 178,205	\$ 2,738,805
Decrease (increase) in accounts receivable - royalties	1,725	(1,725)
(Increase) in accrued interest receivable	(20,198)	(122,205)
(Decrease) in accounts payable	<u>(13,177)</u>	<u>(78,623)</u>
Total Adjustments	\$ <u>146,555</u>	\$ <u>2,536,252</u>
Net cash from operating activities	\$ 1,381,401	\$ 4,118,701

The accompanying notes are an integral part of these financial statements.

^

Notes to the Financial Statements

CAPITOL PRESERVATION FUND
NOTES TO FINANCIAL STATEMENTS

Note 1. Description of Entity

The Capitol Preservation Commission was established under Title VIII of Public Law 100-696 in November 1988 for the purpose of improvements in, preservation of, and acquisitions for the United States Capitol. The operations of the Commission are financed through the "Capitol Preservation Fund," which was established in the Treasury under this law. The Fund consists of deposits from charitable contributions, interest on invested portions of the Fund, and surcharges received by the Secretary of the Treasury from the sale of coins under the Bicentennial of the United States Congress Commemorative Coin Act and the Bicentennial of the United States Capitol Commemorative Coin Act.

The Commission may fund or assist in the funding of improvements in the Capitol Building and grounds surrounding the Capitol Building if such improvements are authorized, undertaken, and completed under the procedures established by the Congress for such purposes. Also, under the rules of the Commission, the Commission is authorized to expend \$400,000 (\$200,000 for the House of Representatives and \$200,000 for the Senate) for the purchase of art, furnishings, or items of historical interest provided that such expenses are approved by a majority of the members of the Commission from the House of Congress for which such purchases are made.

In accordance with Rule 11 of the Capitol Preservation Commission, the Commission shall not maintain any collection of fine or decorative art, or other property, but may assist in the transfer of items to a Congressional entity (Senate Commission on Art, House Fine Arts Board, or the Joint Committee on the Library), or facilitate the disposal of items.

The Architect of the Capitol, the Senate Commission on Art, the House of Representatives Fine Arts Board, and the Library of Congress provide staff support and assistance to the Commission. The Architect of the Capitol awards contracts and procures goods and services to complete projects established by the Commission, and ensures that goods and services purchased from vendors are received. The Library of Congress provides financial management services for the Commission, including coordinating with the Department of the Treasury for the deposit, disbursement, investment, and fund management activities of the Capitol Preservation Fund. In addition to these entities, under the rules of the Commission, the Secretary of the Senate and the Clerk of the House of Representatives provide staff support and assistance to the Commission.

Financial Statements

Note 2. Summary of Significant Accounting Policies

The financial statements are presented in accordance with generally accepted accounting principles.

The property and improvements purchased with Commission funds are the accounting responsibility of the Architect of the Capitol or other Congressional entities to which the assets are transferred. Property is not capitalized in the accounting records of the Fund.

Administrative expenses incurred by personnel providing staff support to the Fund are not reimbursed by the Commission and are therefore not included in the Fund's financial statements.

Effective for fiscal year 1996, the Fund's financial statements have been prepared to conform with the requirements of Statements of Financial Accounting Standards (SFAS) numbers 116 and 117. These statements provide for 1) the accounting treatment for contributions received and contributions made and 2) the form and content of financial statements for not-for-profit organizations. Because the Fund received no contributions during fiscal years 1995 and 1996 and no prior year contributions contained outstanding restrictions, adoption of SFAS number 116 and certain provisions of SFAS number 117 had no impact on the Fund's financial statements. However, certain other provisions of SFAS number 117 dealing with the form and content of the financial statements did impact the presentation of the Fund's financial statements. Consequently, the Fund's fiscal year 1995 financial statements have been restated, in part, to reflect retroactive application of this standard (see note 4).

Note 3. Investments

Cash deposits from contributions and surcharges are invested in interest-bearing obligations of the United States and are purchased at a discount. The Commission has directed the Library of Congress to invest contributions for 3 months, and to invest surcharge proceeds for 6 months. The value of investments outstanding as of September 30, 1996 and 1995, net of discounts, was \$23,662,736 and \$22,278,305, respectively. Annual investment rates ranged from 4.72 percent to 5.58 percent in fiscal year 1996, and from 5.09 percent to 7.0 percent in fiscal year 1995.

Outstanding Investments as of September 30

	<u>1996</u>	<u>1995</u>
Face Value of Investments	\$ 24,285,000	\$ 23,130,000
Less: Discounts	<u>(622,264)</u>	<u>(851,695)</u>
Investments, net of discounts	\$ 23,662,736	\$ 22,278,305

Note 4. Impact of Restatements

As discussed in note 2, effective for fiscal year 1996, the Fund's financial statements have been prepared to conform with the requirements of SFAS numbers 116 and 117. The impact of adoption of these standards on the previously issued financial statements for 1995 was to convert the 1995 beginning "Fund Balance" to "Net Assets," and to convert the 1995 "Excess of Revenues over Expenses" to "Increase in Unrestricted Net Assets." Adjustments to amounts were not required in this conversion.

However, adjustments were made to the previously issued financial statements for 1995 to better reflect the period in which certain revenues of the Fund were earned. Specifically, these adjustments are attributable to income from coin sale surcharges and publication royalties which were originally recorded in the accounting records when proceeds were received rather than when the income was earned.

As a result of the adoption of the new accounting standards and the adjustments to better reflect the period in which certain revenues were earned, the previously issued financial statements for 1995 have been restated, and the 1995 beginning "Fund Balance" has been converted to "Net Assets." This conversion is presented below:

1995 Beginning Fund Balance, as previously reported	\$(18,263,739)
Adjustments	<u>(2,929,155)</u>
1995 Beginning Net Assets	\$(21,192,894)

Also, as discussed above, the amount reported in 1995 as "Excess of Revenues over Expenses" in the previously issued financial statements has been converted to "Increase in Unrestricted Net Assets." This conversion is presented below:

Excess of Revenues over Expenses, as previously reported	\$ 4,319,529
Adjustments	<u>(2,737,080)</u>
Increase in Unrestricted Net Assets	\$ 1,582,449

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

<http://www.gao.gov>

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested

