

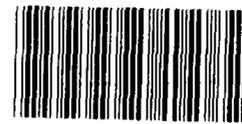
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BY THE COMPTROLLER GENERAL

# Report To The Congress

OF THE UNITED STATES

## Audit Of The United States Capitol Historical Society For The Year Ended January 31, 1979



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GGD-80-28  
JANUARY 22, 1980



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-196901

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, 1979, 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. *CNG 0087*

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."

Under the provisions of Public Law 95-493, October 20, 1978 (92 Stat. 1643), the Society was declared to be a body corporate of the District of Columbia.

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 June 30, 1980, 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, 1979, of \$616,493 consisted of cash, investments, and interest receivable, provided through transfers of \$465,554 from the General Fund and accumulated interest and other income of \$150,939.

#### General Fund

Income to the General Fund is primarily from the sales of commemorative medals, 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 accounts.

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. In September 1979, a representative of the District of Columbia government advised the Society that the sales tax matter was under review. No provision has been made in the financial statements for the contingent liability for sales taxes, which the Society estimates would be about \$58,000. However, adequate funds are available to settle any claim.

Active projectsRenovation 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. During the year ended January 31, 1979, the Society made direct artwork payments of \$26,381. The Society has retained \$11,919 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.

The first medal depicts Valley Forge and the York County Court House where the Articles of Confederation were adopted, and salutes the 200th anniversary of the Flag. The consultant arranged with the U.S. Mint to provide the Society with two sizes of bronze and silver medals and one size of gold medals. During the year ended January 31, 1979, the Society's medal program sales were over \$252,000. Net proceeds were about \$72,000, and medals on hand at January 31, 1979 had a cost value of about \$145,000.

Section 4 of P.L. 95-493 authorizes the Society  
"\* \* \* to print, to create and distribute commemorative medals, \* \* \*." Accordingly, the Society contracted with a commercial medalist firm to produce a second medal to commemorate the 1779 exploits of John Paul Jones.

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.

The second symposium was a 2-day meeting held in March 1979, with funding authorized at \$19,124. Eight historians spoke on topics related to the American Revolution.

### 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 \$280 for this program during the year ended January 31, 1979. 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, 1979, the Society had received \$1,350 in contributions 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

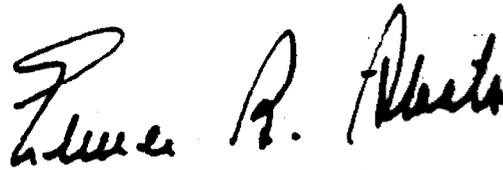
Our audit, which was made in accordance with generally accepted auditing standards, included an examination of the financial statements for the year ended January 31, 1979, and such other auditing procedures as we considered necessary.

#### OPINION ON FINANCIAL STATEMENTS

The accompanying financial statements, which we prepared, 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, 1979, 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 R. Alberts". The signature is written in a cursive style with a large initial "J".

Comptroller General  
of the United States

SCHEDULES

UNITED STATES CAPITOL HISTORICAL SOCIETYBALANCE SHEETJANUARY 31, 1979 (note a)

## ASSETS

|   | <u>General<br/>fund</u> | <u>History<br/>endowment<br/>fund</u> | <u>Total</u>       |
|---|-------------------------|---------------------------------------|--------------------|
| <b>CURRENT ASSETS:</b>                    |                         |                                       |                    |
| Cash in bank and on hand                  | \$ 37,725               | \$ 843                                | \$ 38,568          |
| Temporary investments:                    |                         |                                       |                    |
| Savings accounts                          | 19,013                  | 53,794                                | 72,807             |
| Commercial notes                          | 260,000                 | 122,000                               | 382,000            |
| Commercial bonds                          | -                       | 25,000                                | 25,000             |
| Government and quasi-<br>government notes | 300,000                 | 249,940                               | 549,940            |
| U.S. Treasury notes                       | 49,946                  | 151,090                               | 201,036            |
| Accounts receivable                       | 21,279                  | -                                     | 21,279             |
| Interest receivable                       | 10,316                  | 13,826                                | 24,142             |
| Inventory (cost)                          | 575,346                 | -                                     | 575,346            |
| Prepaid expenses                          | <u>10,257</u>           | <u>-</u>                              | <u>10,257</u>      |
| Total current assets                      | <u>1,283,882</u>        | <u>616,493</u>                        | <u>1,900,375</u>   |
| <b>FIXED ASSETS:</b>                      |                         |                                       |                    |
| Office furniture and<br>equipment         | 19,520                  | -                                     | 19,520             |
| Less accumulated depre-<br>ciation        | <u>14,617</u>           | <u>-</u>                              | <u>14,617</u>      |
| Total fixed assets                        | <u>4,903</u>            | <u>-</u>                              | <u>4,903</u>       |
| <b>OTHER ASSETS (note b):</b>             |                         |                                       |                    |
| Library                                   | 1,926                   | -                                     | 1,926              |
| Inventory reserve (note c)                | <u>2,304</u>            | <u>-</u>                              | <u>2,304</u>       |
| Total other assets                        | <u>4,230</u>            | <u>-</u>                              | <u>4,230</u>       |
| <b>TOTAL ASSETS</b>                       | <u>\$1,293,015</u>      | <u>\$ 616,493</u>                     | <u>\$1,909,508</u> |

GAC 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<br/>fund</u> | <u>History<br/>endowment<br/>fund</u> | <u>Total</u>       |
|--|-------------------------|---------------------------------------|--------------------|
| LIABILITIES (note d):                              |                         |                                       |                    |
| Accounts payable                                   | \$ 13,542               | \$ -                                  | \$ 13,542          |
| Accrued expenses                                   | 10,843                  | -                                     | 10,843             |
| Deferred receipts (note e)                         | <u>13,037</u>           | <u>-</u>                              | <u>13,037</u>      |
| Total liabilities                                  | <u>37,422</u>           | <u>-</u>                              | <u>37,422</u>      |
| SOUND AND LIGHT PROGRAM:                           |                         |                                       |                    |
| Balance, February 1, 1978                          | 40,132                  | -                                     | 40,132             |
| Contributions                                      | <u>280</u>              | <u>-</u>                              | <u>280</u>         |
| Total Sound and Light<br>Program                   | <u>40,412</u>           | <u>-</u>                              | <u>40,412</u>      |
| ARTWORK (CAPITOL)                                  | <u>11,919</u>           | <u>-</u>                              | <u>11,919</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, 1978                          | 1,100,593               | 474,913                               | 1,575,506          |
| Net income, year ended<br>January 31, 1979         | 200,319                 | <u>f/41,580</u>                       | 241,899            |
| Transfer to History Endowment<br>Fund              | <u>(100,000)</u>        | <u>100,000</u>                        | <u>-</u>           |
| Total fund principal                               | <u>1,200,912</u>        | <u>616,493</u>                        | <u>1,817,405</u>   |
| TOTAL LIABILITIES, PROGRAMS, AND<br>FUND PRINCIPAL | <u>\$1,293,015</u>      | <u>\$616,493</u>                      | <u>\$1,909,508</u> |

UNITED STATES CAPITOL HISTORICAL SOCIETYINCOME AND EXPENSE STATEMENTGENERAL FUNDYEAR ENDED JANUARY 31, 1979 (note a)

## OPERATING INCOME:

|                                    |                |
|------------------------------------|----------------|
| Sales (less discounts of \$20,661) | \$1,414,314    |
| Cost of merchandise sold           | <u>836,440</u> |
| Gross profit from sales            | 577,874        |

## SELLING AND ADMINISTRATIVE EXPENSES:

|                                      |              |                |
|--------------------------------------|--------------|----------------|
| Salaries                             | \$290,507    |                |
| Payroll taxes                        | 19,633       |                |
| Group and general insurance          | 10,460       |                |
| Retirement annuity                   | 11,600       |                |
| Postage and other mailing activities | 3,171        |                |
| Promotion                            | 5,419        |                |
| Membership                           | 4,949        |                |
| Office                               | 5,070        |                |
| Office rent                          | 15,390       |                |
| Storage                              | 5,942        |                |
| Capitol studies                      | 6,930        |                |
| Medals program                       | 12,894       |                |
| General Counsel                      | 10,000       |                |
| Dues                                 | 423          |                |
| Obsolete material written off        | 10,218       |                |
| Sundry                               | 2,326        |                |
| Audit fee                            | 2,300        |                |
| Bad debts                            | 215          |                |
| Inventory shortage                   | 1,782        |                |
| Depreciation                         | 1,434        |                |
| Computer                             | 1,320        |                |
| Symposium                            | <u>9,612</u> | <u>431,595</u> |

Net operating income 146,279

## NONOPERATING INCOME:

|                                   |               |        |
|-----------------------------------|---------------|--------|
| Interest on investments           | \$49,872      |        |
| Membership dues and contributions | 3,866         |        |
| Invoice discounts                 | 3,323         |        |
| Royalties                         | <u>29,025</u> | 86,066 |

## NONOPERATING EXPENSES:

|                      |              |               |
|----------------------|--------------|---------------|
| Contributions        | 19,610       |               |
| Oral history program | 10,101       |               |
| Investment services  | <u>2,335</u> | <u>32,046</u> |

Net income \$200,319

GAC 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, 1979 (note a)

|   |                    |
|---|--------------------|
| <b>FUNDS PROVIDED:</b>                        |                    |
| Sales (net of discounts)                      | \$1,414,314        |
| Interest on investments                       | 49,872             |
| Royalties                                     | 29,025             |
| Invoice discounts                             | 3,322              |
| Contributions:                                |                    |
| Sound and Light Program                       | 280                |
| Membership contributions                      | <u>3,866</u>       |
| Total   | <u>\$1,500,680</u> |
| <b>FUNDS APPLIED:</b>                         |                    |
| Costs (excluding depreciation)                | \$1,298,647        |
| Equipment acquisitions                        | 757                |
| Additions to library                          | 356                |
| Transfer to inventory reserve                 | 460                |
| Authorized transfer to History Endowment Fund | 100,000            |
| Artwork in Capitol                            | 26,291             |
| Increase in working capital                   | <u>74,079</u>      |
| Total   | <u>\$1,500,680</u> |

Analysis of Changes in Working Capital

|  | <u>Increase or<br/>(decrease)</u> |
|--|-----------------------------------|
| <b>WORKING CAPITAL CHANGES:</b>        |                                   |
| Cash                                   | \$ 7,345                          |
| Cash investments                       | (322,875)                         |
| Accounts receivable                    | 225                               |
| Interest receivable                    | 150                               |
| Inventory                              | 339,808                           |
| Prepaid expenses                       | 6,448                             |
| Accounts payable                       | 48,735                            |
| Accrued expenses                       | (2,872)                           |
| Deferred receipts - Magna Carta        | <u>(2,894)</u>                    |
| <b>NET INCREASE IN WORKING CAPITAL</b> | <u>\$ 74,079</u>                  |

GAC 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, 1979

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.

L/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 2 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, 1979

|   |  |
|---|--|
| Mrs. Lonnette Aikman                    | Mr. James Ketchum                          |
| Mrs. Robert Low Bacon                   | The Honorable Charles McC.<br>Mathias, Jr. |
| Mr. Ralph E. Becker                     | Mr. Gene McGreevy                          |
| 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 F.<br>Conable, Jr. | Colonel Charles J. Simpson                 |
| Mr. Robert E. Doyle                     | Mrs. Wakelee Rawson Smith                  |
| Dr. Leslie W. Dunlap                    | The Honorable Robert<br>Stephens, Jr.      |
| The Honorable Bill Frenzel              | Mrs. Adlai Stevenson, III                  |
| Mr. Arthur P. Hanson                    | The Honorable Guy Vander Jagt              |
| Mr. Bryce M. Harlow                     | Mr. Frank van der Linden                   |
| The Honorable Mark O. Hatfield          | The Honorable George M. White              |
| The Honorable Brooks Hays               | The Honorable Ralph W.<br>Yarborough       |
| Dr. Alvin M. Josephy, Jr.               |  |
| The Honorable Walter P. Judd            |  |

OFFICERS

|                     |  |
|---------------------|--|
| President           | The Honorable Fred Schwengel             |
| Vice presidents     | The Honorable Marguerite<br>Stitt Church |
|                     | Mr. Carl Haverlin                        |
|                     | Dr. Melvin M. Payne                      |
|                     | Dr. Walter Pundell, Jr.                  |
| Treasurer           | Mr. Victor M. Pirely                     |
| Recording Secretary | Mrs. Florian Thayne                      |

PRINCIPAL PAID PERSONNEL

|   |                              |
|---|------------------------------|
| President                                   | The Honorable Fred Schwengel |
| Executive secretary                         | Mr. Oliver P. Patton         |
| Department managers:                        |                              |
| Sales department                            | Mr. John F. Beck             |
| Administrative and<br>accounting department | Mrs. Florence C. Miller      |
| History department                          | Dr. William M. Maury         |

MAJOR MERCHANDISE SOLD BY THEUNITED 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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