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REPORT TO THE CONGRESS

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Examination Of Financial Statements Of The Veterans Canteen Service Fiscal Year 1971

B-114818

Veterans Administration

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BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

~~700933~~

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JAN. 21, 1973



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

B-114818

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

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2 The General Accounting Office has examined the financial state-
ments of the Veterans Canteen Service, Veterans Administration, for ¹⁶
fiscal year 1971. Our examination, required by the act of September 2, ¹⁴²
1958 (38 U.S.C. 4207), was made in accordance with generally accepted
auditing standards and included such tests of the accounting records
and other auditing procedures as we considered necessary in the cir-
cumstances.

In our opinion, the accompanying financial statements present
fairly the financial position of the Veterans Canteen Service at June 30,
1971, and the results of its operations and the sources and application
of its funds for the year then ended, in conformity with generally ac-
cepted accounting principles applied on a basis consistent with that of
the preceding year and with applicable Federal laws.

3 The act of August 7, 1946, which authorized the establishment of
the Service, provided for funds to be appropriated from the U.S. Trea-
sury and deposited in a revolving fund in such amounts as were needed
to finance the establishment, maintenance, and operation of the Service.
During fiscal years 1947 and 1948, \$4,965,000 was appropriated from
the Treasury. No additional funds have been appropriated. ³⁸

The authorizing legislation also provides that any balance in the
revolving fund at the close of the fiscal year in excess of the estimated
requirements for the ensuing fiscal year shall be covered into the Trea-
sury as miscellaneous receipts. In fiscal year 1950 the Service began
returning such excess funds to the Treasury and has continued this
practice periodically. The excess funds that have been returned to the
Treasury amount to about \$12 million, and the last transfer was made
during fiscal year 1969. The Service has estimated that no excess
funds will be available for transfer to the Treasury during fiscal year
1972.

Certain expenses relating to activities of the Service are not
borne by it and are not included in its financial statements. These

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expenses, which total \$211,000, include the cost of space and utilities furnished to the Service in buildings under the control of, or leased by, the General Services Administration and the cost of the annual audit by the General Accounting Office.

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of the Treasury; and the Administrator of Veterans Affairs.

A handwritten signature in cursive script, reading "James B. Atchefs".

Comptroller General
of the United States

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SCHEDULE 1

VETERANS CANTEEN SERVICE

STATEMENT OF INCOME AND EXPENSES

FOR THE FISCAL YEARS ENDED

JUNE 30, 1971 AND 1970

	<u>1971</u>	<u>1970</u>
RETAIL DEPARTMENT:		
Sales	\$48,323,864	\$43,644,221
Cost of good sold	<u>37,770,794</u>	<u>33,951,371</u>
Gross profit	<u>10,553,070</u>	<u>9,692,850</u>
Expenses:		
Salaries and wages	6,625,043	6,185,964
Operating supplies	134,338	115,215
Depreciation	180,171	176,224
Occupancy	455,208	441,488
Employee benefits	560,333	486,699
Miscellaneous	<u>191,135</u>	<u>96,616</u>
Total expenses	<u>8,146,228</u>	<u>7,502,206</u>
Profit, retail department	<u>2,406,842</u>	<u>2,190,644</u>
FOOD DEPARTMENT:		
Sales	22,108,345	20,373,089
Cost of good sold	<u>12,274,808</u>	<u>11,213,098</u>
Gross profit	<u>9,833,537</u>	<u>9,159,991</u>
Expenses:		
Salaries and wages	6,142,843	5,714,123
Operating supplies	285,299	248,121
Depreciation	383,303	376,228
Occupancy	1,102,453	1,055,830
Employee benefits	518,816	452,927
Miscellaneous	<u>291,002</u>	<u>277,745</u>
Total expenses	<u>8,723,716</u>	<u>8,124,974</u>
Profit, food department	<u>1,109,821</u>	<u>1,035,017</u>
SERVICE DEPARTMENT:		
Sales	3,330,795	3,319,213
Cost of good sold	<u>731,569</u>	<u>687,430</u>
Gross profit	<u>2,599,226</u>	<u>2,631,783</u>
Expenses:		
Salaries and wages	1,964,755	1,993,597
Operating supplies	32,324	32,628
Depreciation	31,165	30,471
Occupancy	93,543	90,415
Employee benefits	184,004	175,842
Miscellaneous	<u>32,279</u>	<u>29,200</u>
Total expenses	<u>2,338,070</u>	<u>2,352,153</u>
Profit, service department	<u>261,156</u>	<u>279,630</u>
TOTAL OPERATING PROFIT	3,777,819	3,505,291
ADMINISTRATIVE EXPENSES (field offices and central office):		
Salaries and wages	2,249,917	2,137,475
Travel and other expenses	<u>685,154</u>	<u>466,645</u>
Total administrative expenses	<u>2,935,071</u>	<u>2,604,120</u>
NET OPERATING PROFIT	842,748	901,171
OTHER INCOME--NET	<u>298,036</u>	<u>130,095</u>
NET INCOME FOR YEAR	<u>1,140,784</u>	<u>1,031,266</u>

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SCHEDULE 2

VETERANS CANTEEN SERVICE

STATEMENT OF FINANCIAL CONDITION

JUNE 30, 1971 AND 1970

	<u>1971</u>	<u>1970</u>
ASSETS		
CURRENT ASSETS:		
Cash:		
Cash in U.S. Treasury	\$ 3,791,790	\$ 2,413,195
Cash in banks and on hand	<u>1,075,981</u>	<u>2,720,217</u>
	4,867,771	5,133,412
Accounts receivable	452,257	454,959
Merchandise inventories, at cost:		
Retail Department	8,194,225	6,299,856
Food Department	399,352	365,960
Service Department	15,858	17,614
Prepaid expenses and other assets	<u>90,402</u>	<u>12,566</u>
Total current assets	<u>14,019,865</u>	<u>12,284,367</u>
FIXED ASSETS:		
Furniture, fixtures and equipment	9,048,558	9,051,198
Less accumulated depreciation	<u>4,343,628</u>	<u>4,415,501</u>
Net fixed assets	<u>4,704,930</u>	<u>4,635,697</u>
Total assets	<u>\$18,724,795</u>	<u>\$16,920,064</u>
LIABILITIES AND EQUITY OF U.S. GOVERNMENT		
CURRENT LIABILITIES:		
Accounts payable:		
Trade creditors	\$ 1,366,126	\$ 848,007
U.S. Government agencies	<u>103,908</u>	<u>117,634</u>
	1,470,034	965,641
Employees' accrued annual leave	1,532,253	1,418,253
Accrued salaries and wages	886,623	767,926
Due other U.S. Government agencies for employees' payroll deductions, accrued payroll taxes, and other payroll expenses	160,247	132,052
Unredeemed merchandise coupons	267,476	368,214
Other (note 1)	<u>5,830</u>	<u>6,441</u>
Total current liabilities	<u>4,322,463</u>	<u>3,658,527</u>
EQUITY OF U.S. GOVERNMENT:		
Appropriated funds--total capital advanced	4,965,000	4,965,000
Donations of property, principally from Veterans Administration	369,227	369,217
Accumulated net income--prior years	19,995,407	18,964,140
Net income--current year	<u>1,140,784</u>	<u>1,031,266</u>
	26,470,418	25,329,623
Less payment of excess funds into U.S. Treasury from inception	12,068,086	12,068,086
Total equity of U.S. Government	14,402,332	13,261,537
Total liabilities and equity of U.S. Government	<u>\$18,724,795</u>	<u>\$16,920,064</u>

Note 1: Other current liabilities include \$4,382.22 collected with regard to an accountability shortage of \$36,038.63 allegedly attributable to a former canteen officer. The case is being investigated and a legal determination will be forthcoming.

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VETERANS CANTEN SERVICE

STATEMENT OF SOURCES AND APPLICATION OF FUNDS

FOR FISCAL YEARS ENDED JUNE 30, 1971 AND 1970

	<u>1971</u>	<u>1970</u>
FUNDS PROVIDED BY:		
Sales of merchandise, including food, and revenues from services furnished	\$73,763,003	\$67,336,523
Purchase discount and other revenues	<u>505,671</u>	<u>217,885</u>
Total funds provided	<u>\$74,268,674</u>	<u>\$67,554,408</u>
FUNDS APPLIED TO:		
Cost of merchandise, including food sold	\$50,777,170	\$45,851,899
Salaries and wages	16,982,559	16,031,159
Other expenses, excluding depreciation (fiscal year 1971 \$612,716, fiscal year 1970 \$600,761)	4,547,811	3,951,622
Increase in working capital	<u>1,071,561</u>	<u>1,079,240</u>
Total funds applied to current costs and expenses	73,379,101	66,913,920
Purchase of equipment	<u>889,573</u>	<u>640,488</u>
Total funds applied	<u>\$74,268,674</u>	<u>\$67,554,408</u>

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Copies of this report are available from the U. S. General Accounting Office, Room 6417, 441 G Street, N W., Washington, D.C., 20548.

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