

# Letter to Nixon Outlining Result of Audit

Special to The New York Times

WASHINGTON, Dec. 8—Following is a letter to the President, dated Aug. 20, from Coopers & Lybrand, a public accounting firm, outlining the result of an audit, conducted at the President's request, of his finances:

Dear Mr. President and Mrs. Nixon:

At your request, we have made an examination of the statement of your assets and liabilities as of May 31, 1973, and the related statement of changes in your net assets for the period from Jan. 1, 1969 to May 31, 1973. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying financial statements are prepared on the cost basis. Accordingly, the carrying values of assets set forth in the statement of assets and liabilities do not purport to represent the amounts that would be realized if the assets were sold, nor do the financial statements reflect any changes in value or any liabilities that may ultimately inure to you as a result of amounts paid by the Government of the United States or others in connection with your residences.

In our opinion, the accompanying statements present fairly your assets and liabilities at May 31, 1973, and the changes in your net assets for the period from Jan. 1, 1969, to May 31, 1973, in conformity with generally accepted accounting principles applied on a consistent basis.

LEOPOLD LYBRAND

## THE PRESIDENT and MRS. NIXON STATEMENT of ASSETS and LIABILITIES May 31, 1973

ASSETS:			
Cash in banks:			
Key Biscayne Bank, Key Biscayne, Fla., including \$250,000 of certificates of deposit, due June 21, 1973	\$426,313		
Other banks	6,561	\$	432,874
Accounts and note receivable (Note 2)	28,609		
Income tax withheld in excess of estimated taxes	19,816		
U.S. Savings Bonds, Series E, at cost (face amount \$5,300)	3,975		
Cash value of life insurance and Civil Service Pension Fund deposit (Note 3)	63,519		
Land, buildings and furnishings, at cost, less accumulated depreciation (Notes 1, 4 and 6):			
Residential properties:			
Key Biscayne, Fla.	311,929		
Casa Pacifica, San Clemente, Calif. (Notes 5 and 9)	571,167		
Improved real estate, Whittier, Calif.	77,515		
Office furniture, Washington, D.C.	3,553	964,164	
		\$1,512,957	
LIABILITIES:			
Withholding tax payable	\$ 355		
Accrued interest and real estate taxes	20,399		
Deferred income taxes accrued (Note 9)	33,000		
Mortgages payable (Note 6)	206,241		
Obligation for note payable issued by Trust for San Clemente property (Note 5)	264,440		
	\$ 524,435		
Net Assets		\$	988,522

The accompanying notes to financial statements are an integral part of this statement.

## THE PRESIDENT and MRS. NIXON STATEMENT of CHANGES in NET ASSETS for the period from Jan. 1, 1969 to May 31, 1973

Net assets, beginning of period	\$	307,143
Add, income and other increases in net assets:		
Salary and expense allowance as President of the United States	1,090,635	
Interest, rents, royalties, etc.	68,240	
Gains on sale of real estate and securities (Note 7)	511,935	
	1,670,810	
Deduct, expenses and other decreases in net assets:		
Residence operating expenses (Note 8)	201,989	
Personal expense	280,521	
Official expense	66,662	
Rental and investment property expense	28,759	
Interest	288,187	
Income taxes (Note 9)	123,311	
	989,429	
Net assets, end of period	\$	988,522

The accompanying notes to financial statements are an integral part of this statement.



## INTERNAL REVENUE SERVICE

United Press International

Ralph G. Newman valued Nixon papers at \$576,000. Internal Revenue Service did not question that figure.

## THE PRESIDENT and MRS. NIXON NOTES to FINANCIAL STATEMENTS

### 1. Statement of Accounting Policies

In the accompanying financial statements accrual accounting has been used. Investments in real estate, furnishings and office furniture are carried at cost. Depreciation has been provided on depreciable facilities that are leased to others or used for official purposes.

In the accompanying statements, the classification "Residential properties" includes the cost incurred by the President and Mrs. Nixon for Casa Pacifica, San Clemente, Calif. This property is held in Trust of which Title Insurance and Trust Company of Los Angeles is Trustee (Note 5).

### 2. Accounts and Note Receivable

At May 31, 1973, accounts and note receivable comprised:

Accounts receivable		
Mr. C. G. Rebozo	\$10,000	
Others, including interest	3,609	
		13,609
Note receivable from William Griffin, Esq. due Dec. 31, 1973 without interest		15,000
		\$28,609

### 3. Cash Value of Life Insurance and Civil Service Pension Deposit

At May 31, 1973, this account comprised:

Cash value of the insurance policies on the life of the President	\$44,897
Deposit with the Federal Civil Service Commission Retirement Fund	18,622
	\$63,519

The deposit does not reflect the present value of the retirement benefits. The present value of the vested benefit payable in the future to the President under the Federal Civil Service Commission Retirement Plan approximates \$150,000 which will be subject to income taxes as received.

The President and Mrs. Nixon may also receive a pension under the Presidential Transition Act of 1963. However, no benefits have been vested and no determination has been made of the present value of any potential benefits.

### 4. Land, Buildings and Furnishings

At May 31, 1973, land buildings and furnishings comprised:

	Residential properties:		
	Key Biscayne, Fla. (acquired 1968):		
	500 Bay Lane	516 Bay Lane	Total
Buildings and improvements	\$ 79,100	\$ 80,490	\$159,590
Furnishings	\$ 13,208	8,792	22,000
	92,308	89,282	181,590
Less, accumulated depreciation	17,947		17,947
	74,361	89,282	163,643
Land	71,161	77,125	148,286
	\$145,522	\$166,407	\$311,929
Casa Pacifica, San Clemente, Calif. (acquired July 15, 1969) (Note 5):			
Buildings and improvements			\$268,022
Furnishings			55,863
Less, Accumulated depreciation			14,627
			309,258
Land			261,909
			\$571,167

Improved real estate, Whittier, Calif. (acquired in 1965):	
Building	\$ 8,186
Less, Accumulated depreciation	3,616
	<u>4,570</u>
Land	72,945
	<u>\$ 77,515</u>
Office furniture, Washington, D.C.:	
Cost	\$ 7,186
Less, Accumulated depreciation	3,633
	<u>\$ 3,553</u>

The estimated useful lives and depreciation methods used in

computing accumulated depreciation shown above are as follows:

	Life in Years	Method of Computing Depreciation
500 Bay Lane, Key Biscayne	30	150% declining-balance
Casa Pacifica:		
Buildings	25	150% declining-balance
Furnishings	8	150% declining-balance
Building, Whittier	10	Straight-line
Office furniture, Washington, D.C.	8	150% declining-balance

Depreciation expense during the period from Jan. 1, 1969, to May 31, 1973, amounted to \$39,823.

#### 5. San Clemente

The President and Mrs. Nixon are beneficiaries of a revocable trust established April 24, 1969, which terminates in 10 years. This trust was formed to enable the Trustee to take title on behalf of the President and Mrs. Nixon to real property in San Clemente. Approximately 28.9 acres of land and the buildings thereon were acquired during 1969 for \$1,500,154. In connection with the purchase, two promissory notes with purchase money trust deed were issued to the sellers. The obligations are secured solely by the property held in trust and do not involve any personal liability.

Promissory Note Referred to as	Annual Interest Rate	Terms of Payment	Original Amount
The Cotton note	7.5%	Four installments of \$100,000 each due on July 15 through 1973; balance payable July 15, 1974	\$1,000,000
The Elmore note	7.5%	Five installments of \$16,000 each due on Oct. 13, including Oct. 13, 1974	\$ 80,000

On Dec. 15, 1970, the President and Mrs. Nixon sold a part of their interest in the trust, representing approximately 23 acres of land, for a consideration of \$1,249,000, to Robert H. Abplanalp and C. G. Rebozo, co-partners doing business under the firm name and style of B. & C. Investment Company. After the sale, the President and Mrs. Nixon retained their interest in approximately 5.9 acres of land and the improvements thereon, which is referred to as Casa Pacifica.

The aforementioned consideration included the assumption by the purchasers of the obligation for: (a) the entire principal amount of the Elmore note which was then outstanding in the amount of \$64,000, and (b) \$560,000 of the principal amount of the Cotton note which was then outstanding in the amount of \$900,000. The accompanying statement of assets and liabilities does not include the unpaid portion of these obligations assumed by the purchasers.

At May 31, 1973, the unpaid balance of the Cotton note amounted to \$700,000. At that date the balance of the obligation of the President and Mrs. Nixon for that note amounted to \$264,440. This balance is payable, with interest of 7.5%, in two installments of \$37,780 and \$226,660 on July 15, 1973, and 1974, respectively. The interest of the President and Mrs. Nixon in Casa Pacifica is subject to the terms of the purchase money trust deed issued in connection with Cotton note.

The cost of Casa Pacifica comprised:

Cost of two parcels acquired by trustee in 1969 and certain costs (\$29,293)	\$1,529,447
Less, Cost of part of interest in Trust sold December 15, 1971	1,131,630
	<u>397,817</u>
Add, Improvements, furnishings and other costs.	187,977
Total	<u>\$ 585,794</u>

#### 6. Mortgages Payable, Residential Properties

At May 31, 1973, mortgages payable comprised:

	Annual Interest Rate	Monthly Payment Including Interest	Principal Balance
Collateralized by real property, 500 Bay Lane, Key Biscayne:			
First Federal Savings & Loan Association of Miami	6%	\$359 to June, 1985	\$ 37,316
Paul E. Williams	6%	\$300 to Nov. 1984	29,878
Collateralized by real property, 516 Bay Lane, Key Biscayne:			
Greater Miami Federal Savings and Loan Association	7.5%	\$740 to May, 1994	93,740
Collateralized by real property, Whittier, Calif.:			
Glendale Federal Savings and Loan Association	6.6%	\$451 to Aug. 1988	45,307
			<u>\$206,241</u>

#### 7. Gains on Sale of Real Estate and Securities

Gains on sale of real estate and securities comprised the following:

Year	Description	Amount
1969	Sale of principal residence in New York, New York	\$142,912
1969	Redemption of stock in Fisher Island, Inc.	184,891
1970	Sale of interest in trust representing part of the San Clemente property	117,370
1972	Sale of interest in two unimproved lots, Key Biscayne, Fla.	66,762
		<u>\$511,935</u>

#### 8. Residence Operating Expenses

Residence operating expenses, after deducting \$4,800 representing the utilities and maintenance costs of the golf facilities at San Clemente that were reimbursed by The Golfing Friends of the President, comprised the following:

Real estate taxes	\$ 74,423
Utilities	31,175
Fire and casualty insurance	4,713
Household maintenance	59,104
Depreciation	32,574
	<u>\$201,989</u>

The amounts include expenses arising from use of residences for official purposes.

#### 9. Income Taxes

The Federal income tax returns filed jointly by the President and Mrs. Nixon for the years 1971 and 1972 have been examined by the Internal Revenue Service and they have received a letter from the district director accepting such returns as filed.

The tax returns have been prepared on the cash basis, while accrual accounting has been used in the financial statements. Accordingly, deferred income taxes have been provided, in the financial statements when there are differences between the statements and the tax returns in the time of recognition of income and expense items. These differences include among others, the election under the provisions of Section 1034 of the Internal Revenue Code to defer for tax purposes the gain of \$142,912 which resulted from the sale of a previous principal residence by applying the amounts as a reduction of the tax basis of Casa Pacifica. In addition, the allocation of the cost of the interest in the San Clemente property between the part sold in 1970 and Casa Pacifica has been determined for tax purposes on a different basis than that used in these statements resulting in a further difference between statement and tax basis of the property.

Federal income tax expense in the accompanying statement of changes in net asset comprised the following:

Paid or currently payable	\$ 90,311
Deferred	33,000

Total Federal income tax expense	<u>\$123,311</u>
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The Federal income tax return for 1969 showed a contribution to the United States of America of \$576,000, being the appraised value of certain personal papers, manuscripts, and other material. These items had a zero cost basis for tax purposes. The following amounts have been deducted on the returns for the following years as a result of that transaction:

1969	\$ 95,298
1970	123,959
1971	128,668
1972	134,094

We are advised that no change was made by the Internal Revenue Service in any of these deductions in connection with the audit of the 1971 and 1972 returns.

We have made no independent determination as to the appraised value of the items or as to the validity of the gift. A question has been raised concerning validity of these deductions; in the opinion of counsel, the deductions are valid.

Because of the timing differences described above, the entire deduction has been taken into account in computing the income tax expense of \$123,311.