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## Accounting in community chests: Principles and methods, sample accounting forms, a plan for reporting central service costs

Community Chests and Councils, Inc.

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**IN COMMUNITY CHESTS**

**COMMUNITY CHESTS AND COUNCILS, Inc.**

**1945**

# **ACCOUNTING in Community Chests**

**Principles and Methods**

**Sample Accounting Forms**

**A Plan for Reporting Central Service Costs**

**1945**

**COMMUNITY CHESTS AND COUNCILS, INC.**  
**155 EAST FORTY-FOURTH STREET, NEW YORK 17**

Printed 1945

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## A WORD OF INTRODUCTION

"Utility ought to be the principal intention of every publication. Wherever this intention does not plainly appear, neither the books nor their authors have the slightest claim to the approbation of mankind."

Preface, Encyclopedia Britannica, First Edition (1768)

\* \* \* \* \*

This accounting manual has been designed as a usable reference book for community chest volunteers and professional staff. It has come as a result of urgent and repeated requests for an easily understood and practicable guide as to how chest accounting can be done properly in light of the chest's responsible position of stewardship to the contributing public and to its participating agencies.

This mounting concern in adequate safeguards to chest funds has been evidenced especially by the scores of towns which, for the first time in World War II, have organized their own federated communitywide appeals for local welfare and war-related agencies. Long established chests too have insistently asked for counsel in accounting methods particularly so that they might be able to compare their central and common service costs with other cities of like size.

In answer to the obvious need, this manual was prepared by the Accounting Committee. This committee was as representative as the chest movement itself. It included executives from cities of various sizes as well as staff members from larger cities whose training and operating responsibilities are devoted exclusively to accounting and financial management. Members of Community Chests & Councils, Inc. standing committees on campaign and finance, and statistics, gave valuable suggestions on those subjects in which they had special interest and knowledge.

The committee tackled its job with humility as well as resolution. During the fifteen months of preparation we humbly acknowledged that this manual, the first of its kind, would be only the foundation for succeeding ones which could spell out more completely the handling of many items which are treated too cautiously or too briefly in these pages. It is our united hope that out of this first attempt will come a future edition, vastly improved by constructive comment from chests throughout the country as this manual by usage becomes an accepted part of their basic accounting practice.

Though humble, the committee was resolved that the contents of this manual would be so sound from an accounting standpoint that chests everywhere could accept with confidence the general and specific recommendations it contains. We were equally firm in our resolve to present a Chart of Accounts which could be adopted by chests everywhere, as a sensible basis on which central and common service costs could be compared city by city. Certainly if chests wish to determine their relative cost of doing business in light of costs in comparable cities, every conscientious executive will be willing to follow a uniform system of accounting which will make possible the kind of accurate comparisons he so much desires.

The committee's hearty thanks go to M. F. McCaffrey, executive

director of the Greater Peoria Community Fund and Council, for his services to the committee as consultant. In fact, the outline and content of this manual, while a cooperative venture on the part of the whole committee, are the direct product of Mr. McCaffrey's skillful appraisal of ways in which the advice and leadership in accounting methods sorely needed in the local chest could be consolidated and presented most effectively.

Our thanks go also to Esther Moore, Director of Community Chest and Councils, Inc. Statistical Department, who served ably as staff consultant for the committee throughout the long period of preparation of the manuscript.

Invaluable assistance came, too, from C. Stamford, a certified public accountant from Indianapolis, and J. F. McHugh, accountant for the New York National War Fund who reviewed the manual's contents from a technical standpoint.

The committee believes that this manual will be a helpful addition to the growing list of workaday publications issued by our national association. Certainly if it achieves its goal of "utility" it will deserve the "approbation of mankind" in the chest and council field.

VIRGIL MARTIN, *Chairman*  
The Accounting Committee  
Community Chests & Councils, Inc.

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## Chapter I

# WHY HAVE AN ACCOUNTING SYSTEM?

### It Inspires Public Confidence

Public confidence in a community chest begins with confidence in its financial integrity.

If a contributor is completely satisfied about the financial management of the chest, his faith in the entire operation is strengthened. Conversely, if he suspects that the financial administration is anything less than satisfactory, he may well lose confidence in the whole program. This, of course, is particularly true of the businessman who is accustomed to using financial statements as a basis for appraising the worth of an organization. A sound accounting system also has great value from a public relations standpoint. Financial statements, too, which are simple, factual and complete can have real publicity and promotion value.

### It Is the Basis of Effective Business Administration

Effective business administration in a community chest is just as essential as it is in industry.

To be effective, the business administration must rest firmly on an adequate accounting system; *there is no substitute*. The accounting system is an important tool of management, supplying the administrative head with controls over all financial operations of the organization.

### It Makes Possible the Discharging of Basic Responsibilities

There are four basic responsibilities which are directly related to the accounting system:

1. Community chests have a responsibility to the contributors. Chest funds are a public trust and every reasonable device must be used to insure the safeguarding of these funds and to account for them to the satisfaction of the contributor. The contributor, in effect, delegates to the chest board and the chest manager the responsibility for seeing that the money is efficiently and effectively used to provide services for people. Acceptance of that responsibility carries with it acceptance of accountability.
2. Community chests have a responsibility to those agencies for whose use the money is raised. Funds are not raised *for* community chests but *by* them for agency services, and the chest is obligated to safeguard agency interests and to account properly to the agencies for the funds.
3. The executive has a responsibility to the board of directors. As the administrative officer of a community chest, the executive is responsible for its management. The board of directors delegates that responsibility to the executive, and the executive in turn may delegate responsibility for certain operations to members of his staff. To meet the needs of management, reports and

forms must be devised which will accurately reflect correct financial operations and their results. The executive must furnish the board of directors with an accounting of operations by means of reports which are current, accurate and complete.

4. The executive has a responsibility to himself and to his staff. He must have an accounting system which will reflect credit to his financial management and to his professional status. There must be no laxity in any detail of management which will permit justified criticism.

## Chapter II

### WHAT GENERAL PRINCIPLES APPLY?

*(The principles discussed here will be developed more fully in later sections.)*

#### **The System Should Be Simple**

An accounting system should be as simple as is consistent with the requirements of good management. In a small chest perhaps a columnar-journal and a ledger will do the job. These records should be supplemented by supporting items such as receipt forms, deposit slips, journal vouchers, and the minute book as a journal of authority. In the large chest this basic set-up may be expanded as circumstances require. The important point to remember, however, is that the system is a tool of management rather than an end in itself, and that it should not be expanded beyond the point of justified use.

#### **It Should Be Accurate**

Accuracy is of prime importance. The system must be set up so that there can be no question of the accuracy of the condition which is recorded or of the financial statements drawn from it to report the condition and results of operation. Through trial balances of various kinds (i.e., subsidiary ledgers, general ledger, reconciliation of the bank statement, etc.), the accuracy of the work done should be checked at least each month. Certain items, such as cash receipts, require daily checking to detect errors which would be more difficult to locate at the end of the month.

#### **It Should Be Flexible**

Because the volume of work to be done in the chest office varies considerably from time to time, the accounting system must be flexible in design. One way to achieve such flexibility is through the use of subsidiary ledgers which make it possible to distribute the bookkeeping work among a number of employes. This not only makes for mechanical ease of operation, but also sets up a procedure for internal control. In chests with limited staff this division of work and internal control can be accomplished if the executive keeps the general ledger with the control accounts, and assigns the detailed operations, such as the posting of the pledge payments, to a bookkeeper or clerk.

#### **It Should Be Inclusive**

The accounting system must report all essential data. As a tool of management it will not be effective unless the entire financial picture is clearly and completely reflected in the accounts. A board of directors must be aware not only of the recorded cash position, but also of obligations incurred but not paid. The board must also know that the assets of the chest are under constant control and that operations are proceeding according to plan. The accounting system must be planned to fit the need of each individual situation, keeping in mind that there are two distinct objectives of control: one, to safeguard assets; two, to provide information for management.

## Chapter III

# ELEMENTS OF AN ACCOUNTING SYSTEM

### *General Principles*

An accounting system is a plan of operation through which useful information about the financial operation of the organization is compiled and furnished to management for purposes of control. It is sound to the extent that it serves as an effective instrument of administration and control. Accounting forms do not constitute a system, although they are the devices through which it operates. The system should be designed to fit the needs of the operation instead of being merely a set of forms and records into which the operation is made to fit.

In planning a system three basic elements must be considered.

1. *A chart of accounts*, indicating the exact accounts to be kept. This is the framework of the accounting system.
2. *Records and forms*. These must be planned as needed to record operations.
3. *Safeguards against error and loss*. These must be set up by means of office routine and must operate through internal control.

These three elements will be discussed in detail in subsequent sections.

### **Double-Entry Basis of Accounting**

Every community chest, whatever its size, should keep its accounting system on the double-entry basis. Double-entry means that for every debit entry there must be a corresponding credit entry. The double-entry principle is known as self-balancing and serves as a safeguard on the mathematical accuracy of the bookkeeping work. Under this system the general ledgers and the journals must balance, which means that after all entries have been made the total of debit columns in a journal or ledger must agree with the total of its corresponding credit columns.

### **Vouchers**

A voucher is evidence of an original accounting transaction. There are different forms of vouchers, for example: the receipt book, the pledge card, the deposit slip and the journal-voucher. The minute book of the board or other controlling body may also be included in this category, inasmuch as many transactions are first officially authorized, approved and recorded in it. The essential facts concerning the transaction should be set forth on the voucher, thus providing the authority for an entry in the journal.

### **Fundamental Books of Account**

*(The statements in this section will be described and discussed more fully in later sections.)*

#### **1. The Journal**

The journal is the record for chronological recording of the financial

transactions, dividing them into their respective debits and credits for subsequent posting to the ledger accounts affected. No entries should be made in the ledger which have not been first recorded in one of the journals.

The cash receipts journal or cash disbursements journal are adaptations or refinements of the general journal designed for handling a specific type of transaction. The function, however, is still one of recording original entries for later posting to a ledger. A regular journal for making opening, adjusting and closing entries should always be provided.

Journals often use the principle of columnization, which is a means of summarization. For instance, in the cash disbursements journal a columnar spread of the expense classifications serves to group charges of similar type for later posting in total to the general ledger accounts affected. Summary totals of the various columns may then be posted to the ledger accounts at the end of the month. The cash receipts journal uses the same procedure to summarize like items of receipts for posting to the income accounts.

## *2. The General Ledger*

The general ledger is the record of financial transactions by separate accounts. In it are brought together all transactions classified according to accounts. The general ledger is the final and permanent record of transactions. From it is obtained the data for the preparation of financial statements.

Subsidiary ledgers are frequently set up to handle the detail of specific accounts in the ledger, such as pledges receivable. When this is done the principles remain the same, and the subsidiary ledger is represented in the general ledger by a summary account known as the control account. This is dealt with in detail under another chapter, "The Ledger".

### **The Minute Book**

The minute book is the record of official action of the board of directors. It is a very important evidence of authority and should be carefully and accurately kept, since it furnishes the legal authorization for the general operation of the organization.

### **Steps in Bookkeeping**

Following the proper setting forth on vouchers of the essential facts about transactions the two steps of bookkeeping, performed in the following order, are:

1. JOURNALIZING
2. POSTING TO THE LEDGER

When a transaction occurs it is set forth on a voucher of some form, as previously described. Such transactions are then recorded by entries in one of the books of original entry: general journal, cash receipts journal, cash disbursements journal, etc. The final step is that of posting the entries from the journal to the ledger.

## Chapter IV

### ACCOUNTING FOR RECEIPTS

The first step in accounting for receipts is to set up an office procedure which will guard against error or loss. The next step is to account properly for all cash received. The final step is to get cash receipts correctly recorded in the appropriate ledger accounts.

#### Mail Receipts

It is important for chests to establish an adequate office procedure to be followed in handling the many cash receipts which are received through the mail. Care should be taken to see that mail is deposited in a locked box or personally delivered by the postman to an employe. One responsible staff person should be designated to open all mail.

#### Other Receipts

A staff member of the chest should be designated as cashier. Incoming receipts, such as cash or checks personally delivered to the office, should be turned over to the cashier who should promptly record such receipts on receipt vouchers. The cashier should not be the person responsible for making postings to the ledgers. This separation of function is important in order to maintain internal control.

#### Internal Control

Wherever possible internal control should be set up to provide for the following safeguards in handling receipts:

1. Incoming mail should be opened by a responsible staff person, who should turn over cash, checks, etc. to the cashier, for recording upon receipt vouchers.
2. The cashier's responsibility is to supervise cash, to make up daily bank deposits, and to prepare reports of receipts from which the bookkeeper makes postings to the ledger.
3. A summary of postings to the ledger should be compared with the daily deposit.
4. Receipts should be deposited intact and in the identical form in which received: i.e., no checks should be cashed out of cash funds received as payment of pledges. Checks should be cashed only through the petty cash fund.

#### Receipt Vouchers

The receipt voucher is the form used to record the receipt of cash or checks from whatever source. There are many types of receipt vouchers. The important consideration is not the form of the voucher but the way in which it is tied into the accounting procedure.

Receipts should be numbered consecutively. They should be issued at least in duplicate, with one copy going to the person or firm making

payment, and the second or third copies retained for use in the accounting processes. A receipt voucher should be written for every incoming item of receipt. This procedure will make it possible to account systematically for all receipts. Some chests find it advisable to record upon the receipt voucher an identification of the form in which payment was made to the chest (i.e., cash, check, money order, etc.). Where such identification is used a summary of receipts should exactly agree with a summary of the deposit.

It is advisable also to record on the voucher not only the name of the person whose account should be credited, but also the name of the person making the payment; what the payment is for; and the type of receipt (see above). The receipt should bear the signature of the person receiving the money.

### RECEIPT FOR PLEDGE PAYMENT

<b>MIDTOWN COMMUNITY CHEST</b>			
YEAR	NO.	DIV.	AMOUNT
<b>TOTAL</b>			

DATE \_\_\_\_\_ 19\_\_\_\_

RECD. FROM \_\_\_\_\_

\_\_\_\_\_ DOLLARS

MAIL,    COUNTER,    REP,

CASH,    CHECK,    MONEY ORDER

**MIDTOWN COMMUNITY CHEST**

COUNTERSIGNED BY \_\_\_\_\_ BY \_\_\_\_\_

CASHIER

Finally, a permanent record of receipt vouchers should be available for reference in case of error or question, and for the purpose of verification. Some chests prefer to retain one receipt voucher copy in a bound book; others find that receipt vouchers filed day by day, together with a copy of the duplicate deposit slip and/or a daily analysis of receipts will suffice. The important point is that the system adopted should permit of ready identification and verification of payments.

### Deposits

Deposits should be made daily wherever practical. Cash received too late to deposit should be carefully safeguarded until the next day.

Deposit slips should be made in duplicate and should list each check. A check received for the payment of a pledge signed by a person other than the one whose account is credited, should have that fact noted on the receipt voucher and on the duplicate deposit slip. This enables prompt identification of a particular payment. As mentioned above, the duplicate deposit slip may be attached to duplicate receipt vouchers as a part of the recapitulation of the total daily receipts. If this is not done the duplicate deposit slips should be carefully preserved and filed.

## Returned Items

In the event that a check is returned from the bank for "insufficient funds", "stale date", "maker deceased", "account closed", etc., the debit advice from the bank which accompanies the returned check should be forwarded to the bookkeeper for reversal of the original entry. Reversal may be accomplished by a credit entry (in red ink) in the Cash Receipts Journal or by journal voucher in the General Journal. The latter procedure is advisable if a subsidiary ledger is affected.

Collection procedure should be started directly against the maker of the check. Usually a letter to the maker advising him that his check has been returned by the paying bank will result in the receipt of a duplicate check. If the check was returned for "insufficient funds" it may be deposited "for collection" and when the maker has sufficient funds on deposit the paying bank will charge his account and credit the collecting bank.

If the check has been returned because the maker has died, the records of the Surrogate or Probate Court should be consulted to obtain the name and address of the executor of the estate. A photostatic copy of the check mailed to the executor usually results in payment, otherwise a claim must be filed against the estate. If the deceased maker left no estate the item is uncollectable.

## Cash Receipts Journal

In the smaller community chest the cash receipts journal and the cash disbursement journal may be combined in one record. (*See Exhibits 1-2, pages 45-46.*) Larger chests may need to separate these two and possibly subdivide these journals still further for the purpose of dividing up the bookkeeping work.

In a small organization receipt vouchers may be entered in detail in the record, whereas in a large organization receipt vouchers may be analyzed daily and a summary entry made in the cash receipts journal. Whether entered in detail or in summary the total of receipt vouchers must be recorded.

The cash receipts journal page or sheet may contain the following columns: date, explanation, folio, bank debit, income account credits (one for each major source of income which frequently recurs), a general ledger column, both debit and credit. This last mentioned column is the "miscellaneous" column, and is needed to handle entries for which no special columns are provided. (*See Exhibit 3, page 47.*)

Postings to the general ledger accounts are made monthly, by totals, for each account. When special columns are used to group types of income, the totals of these columns are posted. The items in the general ledger column should be separately posted, item by item, or summarized monthly in a recap and posted by account totals.

Posting to the subsidiary ledgers for details of receipts can be handled by using the duplicate copy of the receipt voucher as the posting memo.

All items of incoming cash should be entered in the cash receipts journal. These would include payments on pledges, interest earned, proceeds from sale of securities, special cash receipts of any kind and from whatever source. Thus the cash receipts journal will contain a record of all incoming cash.



## Chapter V

# ACCOUNTING FOR DISBURSEMENTS

The disbursement procedure starts with proper authorization for all disbursements. In the case of payments on appropriation the authorization is usually through action taken by the board of directors or the budget committee. Authorization procedure for purchases should be set up and placed in the control of a designated staff person. Items should be purchased only if they are part of an approved budget, unless special approval has been given by board action. A purchase order form is an effective means of controlling purchases.

Upon receipt of material or supplies which have been purchased, the individual authorizing the purchase should certify the invoice for payment. Certification verifies that the material received is that which was ordered, that the quantity and quality is identical with the invoice description, that the price has been checked and the extensions are correct. Notations should be made on the invoice as to the proper account or accounts to be charged.

It is important that all disbursements, except those for petty cash, be made by check only, and that the check be drawn only for approved expenditures in accordance with the procedure outlined above. No check should be drawn to pay a statement unless the statement also has attached to it the detailed invoices which it covers.

### Checks

Checks are printed in a variety of forms, but for most community chests it is recommended that the voucher check form be used. Such checks make use of a voucher duplicate which is then used as a posting memo in accounting for disbursements. Upon this voucher duplicate is noted the expense accounts to be charged. This facilitates the expense distribution in the cash disbursements journal.

Checks should be numbered consecutively and every number must be accounted for.

Following the procedure outlined above, checks should be submitted to the authorized signers, together with the invoices or vouchers containing the detail covered by the respective checks.

Good practice recommends that there be at least two signatures on each check, one that of an authorized staff member and the other that of an authorized officer. For purposes of control no checks should be signed in blank by either signer.

Cancelled checks received from the bank after the bank reconciliation statement is made should be filed in numerical order for future reference.

The voucher duplicates of the checks, after they have been used as posting memos to record disbursements in the disbursement journal, may be filed alphabetically. This procedure supplies two files which facilitate reference as needs arise.

EXAMPLE OF VOUCHER CHECK AND DUPLICATE

MIDTOWN COMMUNITY CHEST 105 FOURTH AVE.		No. 303
MIDTOWN, U.S.A.,		Sept. 10 19
TO THE ORDER OF Business Equipment Co.		\$35.82
Thirty Five and 82/100 .....		DOLLARS
5132	Other Office Supplies	15 82
5143	Rental of Equipment	20 00
<small>YOUR ENDORSEMENT ON THIS CHECK ACKNOWLEDGES PAYMENT IN FULL FOR THE ABOVE</small>		
THE FIRST NATIONAL BANK		MIDTOWN COMMUNITY CHEST
		<i>John Dale</i> <i>John Henry</i>

		303
		Sept. 10
Business Equipment Co.		35.82
Thirty Five and 82/100 .....		
5132	Other Office Supplies	15 82
5143	Rental of Equipment	20 00
THE FIRST NATIONAL BANK		

Petty Cash

Every organization needs a petty cash fund for the sake of making prompt and convenient payment of small items.

A petty cash fund should be set up on the imprest system. This means that after the amount of the required fund is determined a check is drawn to petty cash for that amount; the check is then cashed and the cash is placed in a separate petty cash box. On the books of the organization this original amount is carried as an asset.

As the petty cash fund needs replenishing a check is drawn to petty cash covering the exact amount which has been disbursed out of it. The check is then cashed and the petty cash box is reimbursed, bringing the total back to the original balance.

In accounting for petty cash disbursements the petty cash voucher should record the date, the item purchased, the account to be charged and the signature of the person receiving payment. These vouchers form the basis for balancing the petty cash fund, inasmuch as there must at all times be such vouchers, plus cash, totaling the amount of the original fund.

The vouchers should also be used to analyze the expense distribution when the fund is reimbursed. The check for reimbursement is entered in the cash disbursement journal and the expense accounts are charged.

Just before the end of each month the petty cash fund should be reimbursed so that total expenses for that month will be recorded in the accounts.

For the sake of emphasis it is again pointed out that if any checks

are cashed for individuals, the petty cash fund should be used and not money received as payment on pledges. The petty cash fund is not a loan fund and should not be used as such. The practice followed in some communities of permitting small loans to staff out of the petty cash fund cannot be recommended.

### PETTY CASH VOUCHER

<b>PETTY CASH</b>	
	\$ _____
<b>For</b> _____	
_____	
_____	
<b>Charge to Account</b> _____	
<b>Signed</b> _____	
<b>Date</b> _____	

### Cash Disbursement Journal

The form and complexity of this record, as in the case of the cash receipts journal, will depend upon the individual need of the organization. In small operations it may take the form of a simple check or voucher register, using separate columns for expense classifications. It can be used to analyze disbursements so that postings to the accounts involved may be made by posting a monthly total for each account. In this event the disbursement voucher will be entered directly in the cash disbursement journal as a credit to the bank account and as a debit to the appropriate expense account or liability account. If the expense accounts are carried in detail in a subsidiary ledger, the disbursement voucher should indicate the specific expense account to be charged, in order that the disbursement voucher may be used as a posting memo for the subsidiary ledger.

The important thing to remember is that procedure must be devised so that both the general ledger accounts and the subsidiary ledger accounts will be correctly charged for each transaction.

Provision to handle disbursements of all kinds must be made in the disbursement journal. The page or sheet of the cash disbursement journal may contain the following columns: date, item, payee, bank (credit), general ledger (debit and credit), and a debit column for each general ledger appropriation account. (See *Exhibit 4, page 48.*)

Posting to the general and subsidiary ledgers follows the general procedure outlined for cash receipts.

## Chapter VI

### THE GENERAL JOURNAL

The general journal, like the other journals mentioned before, is used to record chronologically financial transactions to be charged and credited to the various accounts affected. If special journals are used to record the cash transactions, the function of the general journal is to record non-cash transactions such as the following:

1. Opening entries to set up campaign results by charging pledges receivable with the total amount pledged, and crediting approved appropriations to agencies, campaign appropriations, administration appropriation, reserve for collection losses, reserve for contingent appropriations to agencies and general reserves.
2. Closing entries at the end of the fiscal year to transfer to a reserve account the excess of receipts over disbursements or vice-versa, by charging all receipt accounts with their credit balances and crediting all disbursement accounts with their debit balances, the difference being debited or credited to reserve.
3. Monthly entries to record additional pledges received. These are charged to pledges receivable and credit is made to a reserve account.
4. Monthly entries to record cancellation of pledges. These are charged to reserve for losses on collections and credit is made to pledges receivable. (See Chapter XIV, pages 39-41.)
5. Entries to charge agencies with contributors' checks made payable to designated agencies. These are charged to agency appropriation account and credit is made to pledges receivable. The remittance of the chest to the agency is reduced by the amount of these designated checks.
6. Transfers from reserves to agencies or other accounts based on properly approved additional appropriations.
7. Entries to correct errors in bookkeeping distributions.
8. Any other entry not involving cash which is necessary to adjust the accounts so they will reflect the true financial status of the chest.

The general journal may vary in construction; the important thing is the function and not the physical appearance. If control accounts with sub-ledgers for detail are used, the columnar arrangement of the general journal should provide for both general ledger and sub-ledger posting.

## Chapter VII

# LEDGERS

The ledgers are the records of financial transactions by separate accounts. They bring together in individual accounts all the transactions affecting the accounts, and they are the permanent records of transactions.

### General Ledger

The general ledger is the record containing the accounts which are to appear on the financial statements. Any details supporting these major accounts will be carried in subsidiary ledgers. By restricting the general ledger to control accounts, the preparation of financial statements may be streamlined or simplified.

The general ledger may be a bound book, a loose-leaf binder or a set of cards in a file. The size of the chest and the volume of postings will determine the form.

### Form of Ledger Account

For most chest purposes a ledger sheet known as the balance column form is most adaptable. This form has a column for the date, one for explanation, a folio column and three money columns on the right side of the sheet — one for debits, one for credits and one a balance column. The form is useful for general ledger accounts as well as subsidiary ledger accounts. It has the advantage of providing for a current balance which can be noted at a glance.

### Posting to the Ledger

All transactions which have been recorded in the journals on a daily basis are posted or transferred to accounts in the ledger in monthly totals. It is important that no direct entries be made to the ledger. All entries must first be recorded in a journal. This procedure insures the maintenance of the balancing feature of the double-entry system and provides a means for adequate explanation of each transaction. All entries should be complete as to source reference in order that they may be traced back to the original evidence of the transaction, such as receipt for cash, invoice, note, etc. In the process of posting from the journals to the ledgers, the account number to which an item has been posted should be inscribed in the journal and the journal page number inscribed in the folio column of the ledger account.

### Subsidiary Ledgers

The subsidiary ledgers are the records containing the accounts which support in detail the general ledger control accounts. They may be part of the same binder with different sections kept separate by dividers. Some specific examples of these divisions are:

1. Contributors' pledges



tain space for the name, address, business address (for identification), and a bookkeeping section for date, folio, payment and balance.

## 2. *Agency Appropriations*

This sub-ledger will contain the accounts with the member agencies to which appropriations have been made. A balance column ledger sheet will provide money columns to show the total appropriation as a credit, payments on appropriations as debits and the unexpended balance at any given date. When appropriations to agencies are set up at the first of the year each sub-ledger account is credited and a credit balance is carried in the account. As payments are made against appropriations the account is debited and the balance adjusted. The balance is therefore the amount still due against the appropriation, and is a liability of the chest.

## 3. *General Administration Expense*

This sub-ledger contains all the detail expense accounts which analyze the control account "General Administration Expense." Only the control account appears on the statement of cash receipts and disbursements or statement of income and expenditures. A balance column ledger sheet, previously described, meets all the requirements for this type of sub-ledger. (See page 13.) When the budget is set up on the books the first entry on each of the accounts is the annual budget allotment for each kind of expense. This is entered in the second money column as a credit. As expenses are actually paid, charges are made in the first money column and the unexpended balance is extended in the third money column. (See Exhibit 7, page 50.) In the periodic reports to the board of directors a detailed schedule showing the status of these expense accounts should be submitted.

A sub-ledger for Council and one for Campaign, if they are set up separate from General Administration, would be handled in the same way as that described above.

## 4. *Payroll Records*

The withholding tax has made it necessary for every chest to set up records for deductions from employe salaries. Accounting for deductions is equally important to the chest and to the employe. If there are many employes it will be necessary to devise a subsidiary ledger to handle the detail. Otherwise it may be handled on a memorandum basis, with care taken, however, to see that the record is completely and accurately kept. Where there are many deductions it is well to adopt a special pay-check with a stub listing them, so that the employe can be furnished with a complete record of deductions made. In smaller chests the regular check with an accompanying statement should suffice.

The employe record card or ledger sheet should provide separate columns for:

1. Basic Salary or Salary for Period
2. Overtime
3. Gross Earnings
4. Deductions (separate column for each type, such as
  - a. Federal Withholding
  - b. Associated Hospital Service
  - c. Retirement

- d. War Bonds
- e. Non-Resident Tax
- f. Payment on Pledges to Chest)

5. Net Payment (*See Exhibit 8, page 51.*)

The functions of payroll records are chiefly these:

1. To provide an accounting to each employe for the difference between an employe's gross pay and his "take-home" pay after the various withholdings made by the employer.
2. To provide an efficient method for determining the amount payable periodically to the federal government for income tax, and other amounts deducted for war bonds, charitable contributions, retirement, etc.
3. To provide an accurate record of payroll for workmen's compensation insurance audits.

The important consideration is to establish a system which provides an automatic check of the detail with the control accounts.

5. *Equipment*

The policy of each chest with respect to its accounting for capital items will determine whether there is need for an equipment sub-ledger. However, an equipment inventory, as a statistical record only should be maintained. This would list the items purchased, location, cost and date of purchase. An equipment sub-ledger should provide the following information:

1. Description of item
2. Make and model number
3. Date of purchase
4. Cost
5. Date of disposition
6. Salvage

Over a period of time such a record should have value as a guide in the purchase of new equipment.

6. *Accounts Payable or Vouchers Payable*

This sub-ledger will be used only by chests which use the accrual method of accounting. It records the detailed accounts with vendors for purchases made. The balance column ledger sheet form meets all the requirements of this type of record.



## Chapter VIII

# TRIAL BALANCE

### Definition

The trial balance is a tabulation of the accounts in a general ledger or a sub-ledger showing the debit or credit balance of each account at a specified date.

### Function

The function of a trial balance is to verify the mathematical accuracy of the debit and credit entries made to the various accounts in the ledger. Under the double-entry system of bookkeeping there must be an equality of debit and credit entries for each transaction. The trial balance proves the operation of this principle. The figures from the trial balance may be used to prepare the financial statements and the detailed schedules which support certain control accounts shown in these statements. Statements may, however, be prepared directly from the general ledger.

### Method

The trial balance when used as a basis for statement preparation should show correct titles of accounts and the balances pertaining to each. These may be recorded in a trial balance record or they may be separate statements which are filed. In most chests this formal procedure is not necessary. It is usually enough to take an adding machine run of the balance on the account balances. The objective is to prove the balance. The trial balance does not prove that the individual account balances are correct, but only that the debit postings equal the credit postings. For example, an expense item may have been charged to an asset account or an income item credited to a liability account. Neither of these errors would throw the books out of balance. It is important, however, to take off a trial balance to prove the equality of debits and credits and to prove the sub-ledger detail with its respective control accounts.

### Reconciliation of the Bank Statement

The chest should receive its bank statement and cancelled checks from the bank each month. The checks should then be put into numerical order and missing checks noted. Every check must be accounted for, including those which have been voided. The bank statement should then be reconciled to the balance on the bank account in the general ledger. Differences between the statement and the account should be entered on the reconciliation statement for future reference. A specimen form follows:

Balance per bank statement January 31, 1945.....	\$ xxx
<i>Add</i>	
Deposits recorded in January but deposited in February (if any) .....	xxx
Total .....	<u>\$ xxx</u>

*Deduct*

Checks outstanding January 31, 1945

Check No.

Amount

XX

\$ xx

xxx

Balance per books, Jan. 31, 1945.....

\$ xxx

Endorsements on the cancelled checks returned from the bank should be examined to see that they have been properly made and by the proper individual or organization (payee).

# Chapter IX

## FINANCIAL STATEMENTS

The financial statement is the final product of the bookkeeping and accounting work. It supplies an analysis of the financial condition of the chest and guides the way for operation within the limits of available resources. Yet the statement itself is only as dependable as the accounting system used for gathering the information which it discloses. The statement should accurately show the results from operations in the exact amounts recorded on the accounts. For the sake of clarity the method of presenting that information should be simple and understandable.

Industry and business have learned that their financial statements when presented in the usual form and in accounting terminology have been "over the heads" of the public. Many firms are now making a determined effort to simplify and humanize their statements so that the public will not only understand them but will also be *interested* in them. Community chests might well follow the lead of such firms in preparing their financial statements. It is not enough for the statements to be accurate to the last penny, and to reveal the true financial condition of the chest. If only a very few people can understand them, they fail in one of their two major purposes.

These purposes which the financial statements are expected to fulfill are:

1. To supply information which will aid the board of directors, the budget committee and the chest staff in understanding, controlling and carrying out the broad objectives of a program which carries with it the responsibility for sound operation and accountability to the contributing public and to the member agencies.
2. To supply the factual material which can be interpreted to the public, as a part of the chest's public relations program.

Both of these purposes are broad in scope. Financial statements which meet their requirements will demand careful planning and preparation.

### A Source of Information

What information does the board of directors, the budget committee and the staff need in these reports to help carry out successfully their respective duties? They need to know at least these four things:

1. What the present financial condition of the chest is.
2. How that condition was achieved.
3. Whether past planning is being successfully followed.
4. What the present situation indicates for future planning.

The financial statements must, therefore, be planned to supply this information. The first three points relate directly to the statements. The fourth point calls for the exercising of judgment based on the first three.

Point number one can be served by a Statement of Financial Condition (frequently called the balance sheet). This statement may be de-

scribed as an x-ray photograph of the financial condition at the end of a fiscal period, since it shows only the present condition and is stripped of detail. The information needed for points two and three is supplied through supporting schedules and analyses which explain what happened in the fiscal period and how the actual operation compares with the planned course.

The Statement of Financial Condition must show the following information:

1. Actual possessions, such as:
  - (a) Cash in the bank
  - (b) Petty cash
  - (c) Investments
2. Receivables:
  - (a) From contributors
  - (b) From loans to agencies
3. Liabilities that exist from:
  - (a) Commitments for unexpended balances of appropriations to member agencies and for common services such as general administration, council, campaign, etc.
  - (b) Payables of any kind (if operating on an accrual basis)
4. Items held in trust, such as:
  - (a) Withholding taxes, bond deductions, pledge or retirement deductions from employe payroll, etc.
  - (b) Prepayments on future pledges.
5. Reserve funds either appropriated or available for current or future appropriation.

The supporting schedules and analyses will apply to both the operating fund and the general fund. Chest practice varies as to how much detail is desired. Sufficient detail should be presented to explain operations adequately. The sample statements at the end of this chapter show two ways of preparing and presenting statements. Exhibit A and Schedule A are examples of a formal presentation with a minimum of detail. They also indicate that the accrual basis for accounting is used, since an accounts payable item is listed.

Exhibit B with Schedules B1, B2, B3 and B4 are presented in informal terminology and Exhibit B is supported in detail through the schedules.

Community Chests and Councils, Inc. have samples of chest financial statements available for loan to chests. Since they show the setup used in cities of various sizes, it might be of interest to examine them.

Each chest should decide upon the exact form and style required to meet its financial statement needs. The two examples shown in this manual are illustrations of two different types of statements. Neither of them may be suitable for a particular chest. If not, it is important to work out some other accurate and inclusive statement which will fulfill the purposes set forth at the start of this chapter.

### **Material for Public Relations**

The great public relations potentialities of financial statements are rapidly gaining recognition. Chests are more and more coming to realize that the contributor as well as the board of directors has an interest in the financial operation and condition of the chest. Some chests in the past

have operated on the premise that the general public is not interested in or would not understand the intricacies of chest operations. If that is true, the fact in itself indicates a public relations problem which must be met and solved.

In some cities the chest financial statement, popularized, humanized and dramatized, is filling a need beyond that of merely accounting for stewardship. It is serving to create good will, continue the interest of the contributors and win new friends.

Chest executives and staff members are frequently asked to meet with contributor groups, and here the current financial statement can be used to good advantage in explaining the function and method of chest operation. It is a ready-made, well organized outline of the chest story, showing campaign and administrative costs, collections, agency appropriations, and the use of reserves. Distributing copies of the statement as the basis of interpretation and discussion seldom fails to create interest and good will.

Some chests publish their annual financial statement in the local newspapers. The same "ad" can be reproduced in poster style for display on bulletin boards of business firms, public departments, union halls, and other places where employe contributors assemble. Newsletters, house magazines and mailing stuffers also offer avenues for distribution of the chest financial report.

The financial statement is the foundation of every good annual report. Foresighted chests are modernizing and humanizing their annual reports by supplying *all* the information in which contributors are likely to be interested. Presenting the facts in attractive and readable style results in increased confidence in the chest and its policies.

**SAMPLE CHEST, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**MARCH 31, 19 —**

*ASSETS*

Cash in Bank .....		\$ 63,750.00
Petty Cash .....		150.00
Invested Funds .....		50,000.00
<i>Pledges Receivable</i>		
Total pledges .....	\$200,000.00	
Less—collected thru March 31 (50%).....	100,000.00	
	100,000.00	
Less—Reserve for uncollectable pledges....	16,000.00	
		84,000.00
Loans receivable from agencies .....		1,000.00
		\$198,900.00

*LIABILITIES, RESERVES and SURPLUS*

*Liabilities:*

Accounts payable .....		\$ 250.00
Employes Payroll deductions .....		125.00
Agency appropriations .....	\$180,000.00	
Less appropriations expenditures .....	42,000.00	
		\$138,000.00

*Reserves:*

Appropriated:		
for equipment replacements .....	\$ 20,325.00	
Unappropriated .....	36,000.00	
		56,325.00

*Surplus:*

Income on prior pledges.....	\$ 200.00	
Income on pledges for current year.....	200,000.00	
	\$200,200.00	
Less: Appropriations to agencies, etc. to March 31 .....	180,000.00	
		20,200.00
Less: Reserve for uncollectable pledges...	16,000.00	
		4,200.00
		\$198,900.00

SCHEDULE A

**SAMPLE CHEST, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**MARCH 31, 19 —**

*Appropriation to Agencies, etc. for budget, expenditures and unexpended balance*

<i>Agencies</i>	<i>Appropriation</i>	<i>Appropriation Expenditures</i>	<i>Unexpended Balance</i>
Boys' Club Association .....	\$ 6,200.00	\$ 1,500.00	\$ 4,700.00
Boy Scouts of America .....	10,400.00	2,600.00	7,800.00
Camp Fire Girls .....	6,500.00	1,500.00	5,000.00
Catholic Charities .....	20,500.00	4,000.00	16,500.00
Children's Bureau .....	10,000.00	2,500.00	7,500.00
Family Welfare Society .....	26,500.00	6,900.00	19,600.00
Girl Scouts, Inc. ....	5,500.00	1,200.00	4,300.00
Jewish Federation .....	18,500.00	4,800.00	13,700.00
Neighborhood House .....	3,700.00	1,000.00	2,700.00
Visiting Health Nursing .....	7,000.00	1,600.00	5,400.00
Salvation Army .....	9,500.00	2,600.00	6,900.00
Travelers Aid Society .....	3,200.00	800.00	2,400.00
Volunteers of America .....	3,500.00	1,500.00	2,000.00
Y.M.C.A. ....	14,500.00	3,000.00	11,500.00
Y.W.C.A. ....	10,500.00	2,000.00	8,500.00
<b>Total Member Agencies..</b>	<b>\$156,000.00</b>	<b>\$37,500.00</b>	<b>\$118,500.00</b>
<b>Common Services:</b>			
Central Office Administration.....	\$ 10,000.00	\$ 2,000.00	\$ 8,000.00
Campaign .....	10,000.00	1,500.00	8,500.00
Council of Social Agencies .....	4,000.00	1,000.00	3,000.00
<b>Total .....</b>	<b>\$ 24,000.00</b>	<b>\$ 4,500.00</b>	<b>\$ 19,500.00</b>
<b>Grand Total</b>	<b>\$180,000.00</b>	<b>\$42,000.00</b>	<b>\$138,000.00</b>
<b>Agencies and Services.....</b>	<b>\$180,000.00</b>	<b>\$42,000.00</b>	<b>\$138,000.00</b>

EXHIBIT B

SAMPLE CHEST, INC.  
 STATEMENT OF FINANCIAL CONDITION  
 as of  
 MARCH 31, 19 —

*WE HAVE AVAILABLE*

Cash in bank .....		\$187,649.84
Petty cash .....		150.00
Invested funds .....		15,000.00
Pledges receivable .....	\$ 87,441.85	
Less: Shrinkage allowance .....	21,590.43	65,851.42
		<hr/>
		\$268,651.26

*WE HAVE AGREED TO PAY*

To member agencies .....	\$245,880.42	
We have paid to date .....	40,539.16	
		<hr/>
We still owe .....		\$205,341.26
For central service costs .....	24,000.00	
We have spent to date .....	5,940.00	18,060.00
		<hr/>

*WE HOLD IN TRUST*

Advance payments on next year's pledges...		5,000.00
Employes' payroll deductions .....		250.00

*WE HAVE LEFT*

Appropriated reserve funds .....		15,000.00
Unappropriated reserve funds .....		25,000.00
		<hr/>
		\$268,651.26

SCHEDULE B1

SAMPLE CHEST, INC.  
 CASH STATEMENT  
 MARCH 31, 19 —

We started the month with .....		\$178,064.74
We received:		
Payments on pledges .....	\$23,478.01	
Social Service Exchange fees .....	14.77	
Interest on savings account .....	25.00	23,517.78
		<hr/>
We must account for .....		\$201,582.52
We paid out:		
To agencies .....	\$12,087.50	
For central service costs .....	1,845.18	13,932.68
		<hr/>
We have left .....		\$187,649.84



SCHEDULE B2

**SAMPLE CHEST, INC.**  
**COLLECTION SITUATION**

MARCH 31, 19 —

Total pledges to January 1, 19.. were .....	\$291,000.00
New pledges to March 31, 19.. amounted to .....	470.85
	<hr/>
	\$291,470.85
We have allowed this much for shrinkage allowance .....	21,590.43
	<hr/>
We expect to collect by December 31 .....	\$269,880.42
We have collected to date (70% of total pledge).....	204,029.00
	<hr/>
We must still collect .....	\$ 65,851.42
	<hr/>

SCHEDULE B3

**SAMPLE CHEST, INC.**  
**PAYMENTS ON AGENCY BUDGETS**

MARCH 31, 19 —

	<i>Budget</i>	<i>Year to Date</i>	<i>Balance</i>
Boy Scouts of America .....	\$ 16,900.00	\$ 2,816.66	\$ 14,083.34
Carver Community Center ..	13,940.13	3,988.26	9,951.87
Catholic Charities .....	19,142.12	3,305.49	15,836.63
Child and Family Service ...	44,435.99	6,031.72	38,404.27
Children's Home .....	8,615.07	1,435.84	7,179.23
Cradle Beach Children's Out- ing Association .....	4,000.00		4,000.00
East Side Welfare Association	1,064.83	285.28	779.55
Florence Crittenton Home ...	18,201.31	3,183.56	15,017.75
Girl Scouts .....	10,319.25	1,719.88	8,599.37
Home of the Good Shepherd.	10,534.45	1,709.70	8,824.75
Neighborhood House Ass'n. ..	18,097.32	2,973.38	15,123.94
Jewish Social Service Ass'n. ..	1,762.50	457.27	1,305.23
Mental Hygiene Society .....	8,650.00	500.00	8,150.00
St. Francis Community Clinic	11,389.68	1,898.28	9,491.40
Salvation Army .....	21,556.00	3,592.66	17,963.34
Visiting Nurse Association ...	19,831.50	3,305.24	16,526.26
Women's Recreation Camp ..	924.01		924.01
Y.W.C.A. ....	16,516.26	3,335.94	13,180.32
	<hr/>	<hr/>	<hr/>
Agency Totals .....	\$245,880.42	\$40,539.16	\$205,341.26

**SAMPLE CHEST, INC.  
APPROPRIATIONS AND EXPENDITURES FOR  
CENTRAL SERVICE COSTS**

MARCH 31, 19 —

<i>Item</i>	<i>Annual Budget</i>	<i>Total to Date</i>	<i>Unex- pended Balance</i>
Administrative and professional salaries	\$10,000	\$2,500	\$ 7,500
Clerical and maintenance salaries.....	5,900	1,500	4,400
Other compensation .....	300		300
Retirement funds .....	600	150	450
Communications .....	1,400	325	1,075
Transportation and travel .....	300	150	150
Publications purchased .....	60	10	50
Repairs to equipment and buildings..	100		100
Miscellaneous services .....	200	50	150
Printing and stationery .....	1,500	200	1,300
Other office supplies .....	400	75	325
Maintenance supplies .....	100	15	85
Publicity material supplies and media	1,200	200	1,000
Miscellaneous material and supplies...	50		50
New equipment .....			
Replacements .....	50	50	
Rental of equipment .....	100		100
Insurance .....	400	400	
Interest .....			
Rent, heat, light and water.....	1,200	300	900
Taxes .....	40		40
Contributions, dues and memberships.	100	15	85
Total.....	<u>\$24,000</u>	<u>\$5,940</u>	<u>\$18,060</u>

## Chapter X

### TWO SYSTEMS: CASH OR ACCRUAL

Most chests use a modified cash basis system for their accounting. By modified cash basis is meant that at the start of each fiscal year pledges receivable are set up as an asset, and appropriations to agencies are set up as liabilities. Most chests also set up allowances for such items as loss on collection of pledges, etc., and appropriated reserves as earmarked reserve funds. These procedures are departures from strict cash basis accounting.

The question is whether or not items of income and expense should be accounted for on an accrual basis or on a cash basis. Some comments about each plan are in order.

#### Cash Basis

Cash basis accounting does not take any recognition of income or expense as it is earned or incurred. Income is recorded in the accounts only as it is paid to the chest in the form of cash receipts, irrespective of the period in which the earning occurred. Hence certain earnings such as interest on bank accounts or stocks or bonds will not be recorded in the fiscal year in which the earning took place unless they are collected in that period. This may create a situation in which the financial statements at the end of a given fiscal period will not disclose a completely accurate financial condition.

Expense is recorded in the accounts only when paid rather than when incurred, and this too may not permit the financial reports for a given fiscal period to disclose a completely accurate financial condition. This effect will be greatly nullified if the chest pays all expense promptly. Most chests operating on a cash basis pay some expense items as they are incurred and all the rest by the 10th of the following month. At the end of a fiscal year all incurred expense is paid up to date in order to get it recorded on the accounts for the year.

On the cash basis all expense items which may be paid in advance, such as insurance premiums, are charged to expense when paid. On the accrual basis the unused portion is set up as an asset.

The major advantage of the cash basis accounting plan is that it simplifies the procedure and requires less bookkeeping.

#### Accrual Basis

Under the accrual basis revenues are taken into the accounts as soon as earned, regardless of when they are collected. Expenses are recorded in the month in which the liabilities are incurred. As revenues are earned, a revenue account is credited through a journal entry, and a receivable account is set up. For instance, the earned income from interest on bonds would be recorded through a journal entry such as this:

Debit — Interest Receivable .....	\$100.00
Credit — Interest Earned .....	\$100.00

When cash is received for the interest earned the entry is:

Debit — Cash in Bank .....	\$100.00	
Credit — Interest Receivable .....		\$100.00

Any earning would be handled in the same way.

Expenses are set up on the accounts as they are incurred by charging an expense account and crediting Accounts Payable or Vouchers Payable. As the obligations are paid the entry is a debit to Accounts or Vouchers Payable and a credit to Cash in Bank.

Items of prepaid expense are frequently set up as an asset by charging a prepaid expense account when the obligation is incurred. Then periodically an expense account is charged with the amortized amount and the prepaid expense account is credited. For instance, if a three-year insurance premium were to be paid in advance, the entries might be as follows:

Debit — Prepaid Insurance .....	\$300.00	
Credit — Cash in Bank .....		\$300.00

to set up 3 years' insurance premiums paid.

Then at the end of a fiscal period the amount used would be charged into expense with an entry such as:

Debit — Insurance Expense .....	\$100.00	
Credit — Prepaid Insurance .....		\$100.00

to charge 1 year's premiums to expense.

The \$200 balance in the prepaid insurance account would be carried as an asset. On the accrual basis all such items of income and expense would be set up in the accounts in a similar manner.

This method of accounting is more exact, since it brings all items into the accounts in the fiscal period to which they apply. However, in chest accounting such items as a rule are few and the amounts involved are comparatively small.

### **Be Consistent**

A chest should carefully analyze its own requirements and then adopt one or the other of these two systems. Whichever is adopted, the chest should adhere to the established system, since comparison of operations year by year can be made only if the same system has been consistently followed.

## Chapter XI

# MINIMUM STANDARDS TO PROTECT AGAINST ERROR AND LOSS

Most incorrect entries in chest accounting are unintentional. Usually errors that mislead or mis-state are caused by lack of proper instruction or by differences of opinion. Chest boards are responsible for establishing suitable internal procedures for compiling and recording financial information that will guard against error and loss. There is no substitute for a sound system of internal control. Accuracy cannot be attained by good intentions alone and at no expense. It is dependent on the time, effort, intelligence and money spent on the accounting system.

### Internal Control

To insure its maximum effectiveness the internal control system should be reviewed periodically and revised when necessary.

To establish internal control it is essential, whenever the size of the chest permits, that different staff workers perform tasks pertaining to the general ledger, accounts receivable, posting and billing, cashiering, approving invoices for payment, and signing checks. Furthermore, it is recommended that:

1. Official receipts be issued from the chest office in acknowledgement of all payments on pledges.
2. A control be maintained of all uncollected pledges.

As previously discussed, the double-entry system is recommended, since it provides a device to assure accuracy and establish better control.

### Auditing

The chest board should retain a firm or firms of independent certified public accountants to conduct an annual audit and any necessary interim examinations. The firm should be paid for its services. It should make such detailed analyses of the accounting procedures and records as it deems necessary in order to certify to the correctness of the annual financial reports.

The report of examination should include:

- Table of contents
- Letter of transmittal and commitment
- Statement of financial condition (balance sheet)
- Statement of cash receipts and disbursements
- Analysis of reserve funds
- Analysis of investments
- Comparative statement of operating fund
- Budget appropriations and actual income and expense

The letter of transmittal should contain the auditor's certification as to the correctness of statements submitted, his comments on the adequacy

of the bookkeeping records and internal control devices, and his recommendations for improvements in methods and procedures.

During the course of the examination the auditor should verify pledges receivable. He should take charge of the mailing of statements to contributors and should request contributors to return statements directly to him with comments in the event of error.

### **Insurance and Bonding**

The chest should undertake, in consultation with an insurance advisory committee, a regular insurance audit survey covering all types of surety bonds and insurance.

Chests should secure a blanket position bond for all staff members, as protection against loss through larceny, theft, embezzlement, forgery, misapplication, wrongful abstraction, willful misapplication or any other fraudulent or dishonest act or acts committed by any one or more of the employes, acting directly or in collusion with others. Surety bonds are not a substitute for properly controlled records. Both forms of protection are essential.

Chests should carry workmen's compensation, public liability on the premises and contractual liability under its operating lease. Employes should be encouraged to include a personal liability rider on their automobile insurance, in order to protect the chest. The chest should have blanket automobile insurance on its own equipment and on personally owned equipment used for official chest business.

Public liability insurance policies should carry a clause to the effect that the insurance company must make appropriate payment regardless of whether or not non-profit organizations are liable for damage under the state laws.

Chests should also have insurance coverage along the following lines: adequate fire and extended coverage on buildings and on contents housed in the office; safe-burglary; comprehensive coverage against inside and outside hold-up and check forgery; comprehensive coverage on borrowed equipment. It may be advisable to have accounts receivable insurance to cover uncollected pledge balances due to loss through fire, theft, larceny or disappearance from within the premises of the accounts receivable records.

### **Safekeeping of Records**

It is very important that all books of original entry, books of final entry and all records in support of subsidiary ledgers should be closely safeguarded by locked and fireproof equipment from loss by fire or theft. Minute books should be similarly protected.

### **Invested Funds**

Chests having operating cash assets in excess of current requirements should invest only in government short-term investments, such as U. S.  $\frac{7}{8}$ % certificates.

### **Cash on Hand**

Cash received should be deposited intact daily, and no money other than petty cash should be held in the chest office overnight except that received too late to be deposited. Such cash or checks should be held in locked and fireproof equipment until deposited.

## Postage

Postage meter machines are used by many chests to eliminate the negotiability of postage. If postage meter machines are not used, one person should control postage and be accountable for it.

## Chapter XII

### STANDARD CHART OF ACCOUNTS

A community chest has two accounting functions. One is that of accounting for the chest's responsibility as a trustee of public funds. The other is that of detailed accounting for its own administrative funds. To meet these two accounting responsibilities two charts of accounts are recommended.

Payments on pledges and most other items of cash receipts are part of the general funds administered as a public trust. They are subject to appropriation in the current year or in subsequent years as an appropriation out of reserve funds.

The operating fund is an appropriation from general funds with the same status as that of any agency appropriation. In order to keep these two functions completely separate it is recommended that the two funds be kept in different bank accounts.

General fund accounts can be distinguished from operating accounts by using a zero prefix in numbering. For instance, general fund cash account would be designated as "011 Cash in Banks" whereas operating fund cash would be designated as "11 Cash in Banks". (See *Exhibit 5, page 49.*)

Under this plan the actual ledger accounts can be kept in the same binder book or tray, with a divider separating the general fund accounts and the operating accounts. Very little additional bookkeeping work is required; in some respects there may even be a saving in time, inasmuch as the accounts used in making the financial reports will be mutually exclusive. This will be readily understood by an examination of the charts of accounts.

The first step in designing any accounting system is to set up the chart of accounts. The charts recommended here will meet the needs of a chest of any size. The classifications are inclusive and are flexible as to breakdown for detail. The small chest may not need all the accounts which are set up, in which event it will use only the ones which apply to its situation. The large chest may use all the accounts and may set up further breakdown under the major classifications.

It is important that all chests adopt this chart of accounts for reasons of comparison of operations, city by city. Another section of the manual explains this in detail.

The following chart of accounts is that of the general fund. Only balance sheet accounts are needed, since income and expense are handled in the operating account. Major classifications are: Assets 01, Liabilities 02, and Reserves 03.

#### General Fund Accounts

##### 01 Assets

011 Cash in Banks

0111 Commercial National Bank



- 0112 First National Bank  
Etc.
- 012 Securities
  - 0121 U. S. Bonds
  - 0122 Other Bonds
  - 0123 Stocks
- 013 Pledges Receivable
  - 0131 Current Year Pledges
    - 01311 Shrinkage allowance—Current Year Pledges
  - 0132 Immediate past year pledges
    - 01321 Shrinkage allowance—immediate past year pledges
  - 0133 Prior Years Pledges
    - 01331 Shrinkage allowance—Prior Years Pledges
- 014 Accounts and Notes Receivable
  - 0141 Agency Loans
  - 0142 Other
- 015 Accrued Earnings  
(If operating on an accrual basis, set up an account for each accrual item)
- 02 *Liabilities*
  - 021 Agency Appropriations
    - 0211 Boy Scouts of America
    - 0212 Catholic Charities
    - 0213 Community Chests & Councils, Inc.  
Etc.
  - 022 General Administration
    - 0221 Chest Administration
    - 0222 Council of Social Agencies  
Etc.
  - 023 Prepaid Pledges
  - 024 Notes Payable
- 03 *Reserves*
  - 031 Allocated Reserves  
(Set up an account for each allocation of Reserve Funds)
  - 032 Reserves for Restricted Legacies and Grants
  - 033 Unallocated Reserve

The operating fund chart of accounts will need to duplicate some accounts found in the general fund chart. The differentiation is accomplished, as explained above, by using a zero prefix on general fund account numbers. The operating fund will have assets, liabilities, and reserves but it will also use income and expense accounts. Income is given the number four (4) and expense is given the number five (5).

A community chest can use the expense classification for any functional operation upon which it may desire to keep separate records: i.e., Council of Social Agencies, Social Service Exchange, Volunteer Bureau, etc. In case the chest wants to set up a special department, such as publicity or research on a functional basis, the same expense classifications would apply, and the differentiation would be made through the account number. For instance, General Administration may be given number 51; Council, 52; etc. A convenient functional breakdown would be to set up General

Administration, Council and Campaign so that reporting to C C & C Inc. can be simplified. For details on this see Chapter XV, pages 42-44.

### Operating Fund Accounts

1. Assets
2. Liabilities
3. Reserves
4. Income
5. Expense

#### 1. *Assets*

- 11 Cash in Bank
  - 111 Checking Account—First National Bank
  - 112 Savings Accounts
- 12 Petty Cash
- 13 Securities
- 14 Budget Appropriation Receivable
- 15 Prepaid Expense  
(Only if on an accrual basis)
- 16 Furniture and Fixtures
  - 161 Depreciation Allowance—Furniture and Fixtures
- 17 Land and Buildings
  - 171 Depreciation Allowance—Land and Buildings
- 18 Accrued Earnings (if on an accrual basis)

#### 2. *Liabilities*

- 21 Accounts or Vouchers Payable (if on an accrual basis)
- 22 Withholding Tax Payable
- 23 Employes Bond Deductions
- 24 Employes Retirement Deductions
- 25 Accrued Liabilities  
(If operating on accrual basis—one account for each accrual item)

#### 3. *Reserves*

- 31 Allocated Reserves
- 32 Unallocated Reserve

#### 4. *Income*

- 41 Interest and Dividends Earned
- 42 Project Earnings
- 43 Fees for Service

#### 5. *Expense*

- 51 General Administration
- 52 Council
- 53 Campaign

The following accounts can be used for 51, 52, or 53, or for any functional division the chest may set up. Using No. 51, General Administration, as an example, the expense accounts will be:

- 511 *Personal Service*
  - 5111 Administrative and Professional Salaries
  - 5112 Clerical and Maintenance Salaries
  - 5113 Other Compensation
  - 5114 Retirement Fund Expense

- 512 *Services Other Than Personal*
  - 5121 Communications
  - 5122 Transportation and Travel
  - 5123 Publications Purchased
  - 5124 Repairs to Equipment and Buildings
  - 5125 Miscellaneous Services
- 513 *Material and Supplies*
  - 5131 Printing and Stationery
  - 5132 Other Office Supplies
  - 5133 Maintenance Supplies
  - 5134 Publicity Material, Supplies and Media
  - 5135 Miscellaneous Material and Supplies
- 514 *Equipment*
  - 5141 New Equipment
  - 5142 Replacement of Equipment
  - 5143 Rental of Equipment
- 515 *Fixed and Special Charges*
  - 5151 Insurance
  - 5152 Interest Paid
  - 5153 Rent, Heat, Light, and Water
  - 5154 Taxes
  - 5155 Contributions, Dues and Memberships

The chest which wishes to keep its expense accounts in more detail can do so by breaking any account down into further classifications. For example, account number 5334 "Publicity Material, Supplies and Media", under Campaign, can be set up as follows:

- 5334 Publicity Material, Supplies and Media
  - 5334.1 Newspaper Advertising
  - 5334.2 Radio
  - 5334.3 Posters
  - 5334.4 Circulars
  - 5334.5 Window Stickers
  - 5334.6 Feathers, Buttons, Tags
  - 5334.7 Films
  - 5334.8 Stunts, Parades, Displays
  - 5334.9 Speakers
  - 5334.10 House Organs
  - Etc.

## Chapter XIII

### COMMENTS ON CHARTS OF ACCOUNTS

#### General Fund Accounts

Many of the general fund account titles are self-explanatory but some may require comment:

01311 *Shrinkage Allowance—Current Year Pledges*

This account is a contra asset account which most chests now set up as a Reserve for Uncollected Pledges. Modern accounting procedure recommends that such valuation adjustment accounts be carried as an asset reduction in order to show the net value of the asset to which they apply.

01321 *Shrinkage Allowance—Immediate Past Year Pledges*

01331 *Shrinkage Allowance—Prior Years Pledges*

Same as for Current Year Pledges

015 *Accrued Earnings*

This account will be used only by chests which set up accrued earnings at the end of a fiscal period. Usually this item will consist of interest accrued; however, if there is more than one source of such earnings, the accounts would be set up as:

0151 Accrued Interest Earned

0152 Other

Etc.

021 *Agency Appropriations*

This account title will usually be the general ledger account and individual agency appropriations such as:

0211 Boy Scouts of America

Etc.

will be carried in a subsidiary ledger.

022 *General Administration*

Some chests may prefer to include this account, together with Council of Social Agencies, etc., under account 021 as one of the agency appropriations. If it is set up as a separate appropriation, the same comment made on account 021 would apply.

023 *Prepared Pledges*

This account is to record payments on future year pledges made in the current year, and shows as a liability since the funds are earmarked for future use.

031 *Allocated Reserves*

If there is more than one allocation of reserve funds each account as set up would bear a different number, such as 0311, 0312, 0313, etc.

#### Operating Fund Accounts

These accounts need little further comment except for the Expense Accounts. Other operating fund accounts which may require comment are:

14 *Budget Appropriation Receivable*

This account is set up as an asset in the operating fund accounts, since it is the appropriation from the general fund to cover administration costs. As cash is received from the general fund, this account is credited. (See Exhibit 6, page 49.)

161 *Depreciation Allowance—Furniture and Fixtures*

Most chests charge off the investment in furniture and fixtures to the nominal amount of \$1. If this is done there will be no need for this account. Some chests wish to carry a valuation on furniture and fixtures, and where this is the case a contra asset should be set up in this account so that the balance sheet Reserve Accounts will be cash reserves.

171 *Depreciation Allowance—Land and Buildings*

Same comment as that for 161.

18 *Accrued Earnings*

Most chests will have no occasion to use this account. It will be used only where the accounts are kept on an accrual basis. Rare items, such as accrued fees, strictly applicable to the operating fund earnings, will be recorded here. It is listed for the sake of inclusiveness.

25 *Accrued Liabilities*

Used only with an accrual system. Usually the account title will be Accounts Payable. If there is more than one item, the accounts would be numbered 251, 252, 253, etc.

3. *Reserves*

These reserves are not to be confused with general fund reserves. Number 3 reserve accounts are set up only when operating fund reserves are available.

4. *Income*

All accounts self-explanatory.

5. *Expense*

We will repeat here for emphasis that a chest may set up any functional breakdown of expense which it needs. These functional divisions will bear numbers 51, 52, 53, 54, 55, etc. However, the expense accounts charted here would apply in each instance by affixing the proper functional prefix number. Thus, for example, Publicity Materials, Supplies and Media accounts would carry the following numbers:

For General Administration	5134
For Council	5234
For Campaign	5334
Etc.	

The following accounts can be used for 51, 52, or 53, or for any functional division the chest may set up. Using No. 51, General Administration, as an example, the expense accounts will be:

5111 *Administrative and Professional Salaries*

Executive secretary and all other administrative or professional assistants in charge of branches or departments when employed on an annual salary full or part time.

5112 *Clerical and Maintenance Salaries*

All other employes when employed on an annual, monthly, weekly, or daily basis, full or part time.

- 5113 *Other Compensation*  
Auditing and accounting services purchased, legal services, surveys, furnishing entertainment, etc.
- 5114 *Retirement Funds*  
*Employer's* contribution only.
- 5121 *Communications*  
Postage, telephone and telegraph, messenger, etc.
- 5122 *Transportation and Travel*  
Train fares, conference expenses, auto hire or upkeep, freight and express, moving expense for individuals, cartage, hauling, etc.
- 5123 *Publications Purchased*  
Newspapers, magazines, trade journals, books, etc.
- 5124 *Repairs to Equipment and Buildings*  
Service contracts, inspections, all contracted repairs for equipment, land, buildings, etc.
- 5125 *Miscellaneous Services*  
Storage, towel service, window washing, carpet cleaning, meals furnished gratuitously, bank charges, etc.
- 5131 *Printing and Stationery*  
Annual reports, printed forms, envelopes, letterheads, circular letters, binding, other stationery, etc.
- 5132 *Other Office Supplies*  
Pencils, pens, eradicators, ink, typewriter ribbons, ink pads, staples, fasteners, clips, pins, thumb tacks, rubber bands, scratch pads, glue and mucilage, sealing wax, etc.
- 5133 *Maintenance Supplies*  
Brooms, mops, floor wax, polish, paper towels, toilet tissue, soap, electric supplies, etc.
- 5134 *Publicity Material, Supplies and Media*  
Newspaper advertising, radio, posters, circulars, window stickers, feathers, buttons, tags, films, stunts, parades, displays, speakers, house organs, photographs, art work, engravings, etc.
- 5135 *Miscellaneous Material and Supplies*  
Other minor items not covered above.
- 5141 *New Equipment*  
All major items of new equipment purchased.
- 5142 *Replacements*  
Equipment purchased to replace present equipment.
- 5143 *Rental of Equipment*  
Typewriters, adding machines, etc.
- 5151 *Insurance*  
All kinds.
- 5152 *Interest*  
All interest paid.
- 5153 *Rent, Heat, Light and Water*  
For purposes of providing central office or building quarters.
- 5154 *Taxes*  
City, county, state or federal.
- 5155 *Contributions, Dues and Membership Fees*  
Any of above for any purpose *except* appropriation to C C and C., Inc.

## Chapter XIV

### COLLECTION OF PLEDGES

Payments made on pledges provide the major source of chest income. Out of this income is paid agency appropriations, administrative costs, etc. It is the life blood of chest operations. Since this is true, the procedure set up for collection of pledges is a vitally important function of a chest.

Most people who make pledges have every intention of paying them when due, and for this group the collection procedure is simple. All that is usually necessary is to send a reminder notice a few days before the pledge payment is due. For those who do not pay when due the warning signal is up, and procedure for giving these accounts special attention should be started at once.

#### Billing Procedure

There are four methods commonly used in the collection of pledges:

Statements (monthly, quarterly, or at times specified by the contributor)

Letters

Phone calls

Personal contact (by paid collectors or by volunteers)

In order to provide internal control, the billing of pledges should be done wherever possible by employes who do not handle the daily cash receipts or the posting of credits to pledge receivable accounts. Whether machine or typewriter billing is more economical and efficient depends upon the problems of the individual chest.

#### Statements for Individuals

Statements for individual contributors should contain the following information:

1. Date
2. Name and address
3. Balance due
4. Current amount pledged
5. Amount paid (this may be omitted if desired, to eliminate an extra operation)
6. Total amount due

Part of the statement should be a remittance slip for the contributor to return with his payment. A small printed block can be included on the remittance slip for the contributor to check if a receipt is desired. Window envelopes speed up the mailing operation. A return envelope is an added convenience for the contributor and a possible incentive for an earlier payment.

#### Statement for Group Collections

A different type of statement may be necessary for group collections. It should have the following information:

1. Total amount pledged
2. Amount paid
3. Credits, because of employes leaving, employes asking to be billed direct from chest office rather than through the company, or other reductions for various reasons.
4. Total balance due

Upon receipt of all pledge payments the cashier should record sufficient information to assist in the tracing and settling of any dispute which might arise later. Record may be made on the remittance slip of the following information:

1. Whether paid by cash, check or money order.
2. By whom paid, if check is by someone other than contributor.

A date in the check endorsement stamp, corresponding to the date of the recorded cash receipts, will assist materially in tracing any payment.

### **Collectors**

When statements, letters, and phone calls on delinquent pledge accounts have failed to produce the desired results, personal contact with the contributor by collectors may be effective. A good collector should be:

- Honest and dependable
- Well groomed
- Diplomatic and tactful, but not apologetic
- Well informed regarding services of chest
- Patient and persistent
- Well acquainted with the chest's system of accounting for receipts.

When paid collectors are used the payment should be in the form of salary rather than commission. A collector working on a commission basis may prove costly in both money and good will. In order to get larger results he may high-pressure the contributor or suggest adjustments to the detriment of the chest. Another advantage of the salary basis is that a salaried employe can be used for other duties than collection. Forms to be used by collectors include identification or business card, receipt form and individual report form.

### **Collection by Banks**

Some chests have the opportunity to make arrangements with their local banks by which the banks for a nominal charge will receive pledge payments. Such an arrangement offers the contributor an easy and convenient way to make payments, but it adds to the cost of collecting pledges. It may also result in delay in crediting the pledge accounts, and in possible errors occurring, such as crediting the wrong account.

### **Uncollectables**

Certain accounts cannot be collected. When there are good reasons why, the chest should cancel the unpaid balance. This cancellation requires careful procedure and should be done only in line with an established policy and routine. This is an important point in the process of internal control. Suggested procedure is as follows:



1. Securing proper evidence from the contributor as to the reason for the request of cancellation.
2. In the case of larger cancellations, verifying the facts in the request.
3. Obtaining proper authorization from the board of directors or trustees of the chest, designating a member of the staff to approve "charge-offs" up to a determined amount.
4. Appointment by the board of directors of a well informed and active committee to pass upon and approve larger cancellations.
5. Recording of reductions and cancellations in the pledge control records.

### **Unpaid End-of-the-Year Balances**

No procedure will result in 100% collection. The chest always ends the year with an unpaid balance in the pledges receivable account; yet experience has proved that from 5% to 20% of this unpaid amount can be collected in subsequent years. The chest, therefore, cannot ignore these balances. In dealing with them many chests use the following procedure:

1. Pledges are analyzed by a capable staff or board member, and only those which are potentially collectable upon a realistic basis are retained. All others are cancelled.
2. These pledges which remain are continued as an asset but are completely offset by a shrinkage allowance account.
3. The sub-ledger of prior year pledges must be accurately maintained and balanced each month with the control account.
4. Collection procedure continues as in the case of current year pledges.

These prior year pledge balances should never be reported as new pledges in a subsequent campaign, nor should collections on them be reported in current year pledge collection figures. The balance owed and collections made should be handled entirely separately from current year pledges and collections.

### **Reporting Collection Loss**

The final and official campaign result should be established as of a definite date after the campaign. This is important from an auditing and publicity standpoint. Sixty days is recommended as a maximum adjustment period. This should be sufficient time to eliminate duplications and to correct errors which may have occurred during the campaign rush. When the final total is determined it should be used as the basis on which future collection percentage is computed, irrespective of subsequent cancellations.

### **Public Relations in Collections**

Every activity of the chest in dealing with the public results in public relations, good or bad. This is especially true of collections. Many chests realize this and plan their collection approach with it in mind. The statements, letters, phone calls and personal contacts should start with the primary premise that the pledger's good will must be preserved and strengthened. It is poor business to effect a collection if in the process the chest incurs ill will which will make it impossible to secure future pledges. The chest should review its collection procedure and plan a positive approach, aimed at preserving cordial relations with the public.

## Chapter XV

# A PLAN FOR REPORTING CENTRAL SERVICE COSTS

### The Importance of Comparable Figures

Inter-city comparison of the cost of central services has long been used by chest and council executives as an aid in the administration and planning of chest and council operations. However, it has always been difficult to secure comparable cost figures of real significance. Reports that show simply the total cost of central operations throw little light on the wide variation in scope and content of chest and council activities. Even those that show the breakdown of the total into campaign, administrative and council expenditures are of limited value, because of lack of uniformity in allocating costs to the various operations.

The following plan of reporting is proposed as a means of bringing more uniformity—and hence greater usefulness—to the exchange of detailed information on central service costs.

### A Uniform Chart of Accounts

The proposed plan is based on the general adoption by local chests and councils of a uniform chart of accounts, and the periodic collection of reports showing the amounts charged to specific expense classifications. The chart of accounts proposed on pages 32-35 is the result of considerable study and discussion of the specific needs of community chests, based on a review of the account classifications actually used in many cities. It is believed to be flexible enough to meet the needs of any chest, whatever its size, and it is recommended for general use.

Cities which adopt the standard chart of accounts will be able to report annually the amounts charged to each of the standard expense classifications. These reports will show the total amount spent on items such as printing, salaries, office supplies, etc., and also the estimated amounts (within the total) which are chargeable to general administration, to the campaign operation and to the council. The reports will be reproduced by CCC, as part of the "Receipts of Agencies" reports, and will be distributed to member chests and councils. The information should provide a useful tool of administration, and a suggestive guide to inter-city variations in central service activities. A sample of the report form is shown on opposite page.

### General Instructions

Instructions regarding items included in each of the standard expense classifications are given on pages 37-38.

It is not practicable for the national association to suggest the exact method by which charges should be allocated to the various operations, nor is it possible for a local chest to determine precisely the cost of specific operations, until such time as a detailed technical cost accounting can be

# 1945 Central Service Expenditures

..... City ..... Name of Chest ..... State .....  
 From ..... 19.... To ..... 19.... ..... Population .....  
 Fiscal Year

1. How much total income from sources other than the chest is represented in these expenditures?  
\$.....
2. (A) Is the salary of the executive charged to more than one of the subdivisions (Columns B-E)?  
Yes..... No.....  
(B) If yes, on what percentage basis was the allocation made?  
.....
3. How many employees are represented in items A-1?....., A-2?.....
4. Did you employ outside campaign direction? Yes..... No.....
5. (IMPORTANT.) Please note on the other side of this form any unusual circumstances which affect these expenditure figures, such as the fact that they include the cost of providing central housing for agencies, or they do not include expenditures of some community-wide planning organization or financial federation other than the chest and council. List such central services provided by agencies other than the chest and council, and if convenient report total expenditures for them.
6. Please list any important donations of material or services which would significantly affect these figures, such as free campaign headquarters, free newspaper ads, etc.

EXPENSE CLASSIFICATION	A TOTAL CENTRAL SERVICES	ESTIMATED AMOUNTS CHARGEABLE TO			E OTHER (SPECIFY)
		B COUNCIL	C CAMPAIGN	D GENERAL ADMINIS- TRATION	
1. Administrative and Professional Salaries					
2. Clerical and Maintenance Salaries					
3. Other Compensation					
4. Retirement Fund Expense					
5. Communications					
6. Transportation and Travel					
7. Publications Purchased					
8. Repairs to Equipment and Buildings					
9. Miscellaneous Services					
10. Printing and Stationery					
11. Other Office Supplies					
12. Maintenance Supplies					
13. Publicity Material and Supplies					
14. Miscellaneous Material and Supplies					
15. New Equipment					
16. Replacement of Equipment					
17. Rental of Equipment					
18. Insurance					
19. Interest Paid					
20. Rent, Heat, Light and Water					
21. Taxes					
22. Contributions, Dues and Memberships					
<b>TOTAL</b>					

done. However, the following general instructions are offered, and the local executive is asked to make as careful and realistic an allocation as possible.

### The Five Columns

(A) *Total Central Services*

The column headed "Total Central Services" should report all costs of operation of the chest and council, including campaign, publicity, administration, social service exchange, council of social agencies, and other common services.

This total over-all cost would be the basic figure used in inter-city comparisons, and might be the only column used by some of the smaller cities which do not wish to break down expenditures into functional or departmental subdivisions.

(B) *Council*

The column headed "Council" should include all specific costs which clearly can be identified as chargeable to the council.

(C) *Campaign*

The column headed "Campaign" should report all specific costs which clearly can be identified as chargeable to the campaign operation.

(D) *General Administration*

The column headed "General Administration" should include all costs of operation for both the chest and council which are not clearly and primarily chargeable to one of the specific functions reported.

(E) *Other*

The column headed "Other" could be used to report the expenditures of the social service exchange or the volunteer service bureau, or other common services. This column should be used only for specific functional departments.

(Chests desiring to report separately the expenditures of several "Other" departments or functions should use additional report blanks.)

### Costs of Common Services

In the discussion of "A Plan for Reporting Central Service Costs", a procedure was outlined for reporting expenditures of various common services. However, services such as central housing, accounting and purchasing, the cost of which is usually a part of agency budgets, can best be accounted for by a careful separation of such costs from the chest and council administrative accounts. Total costs for such services should then be charged to the agencies benefiting from them through some fair method of allocating the costs involved. This procedure is important not only to show administrative costs more accurately but also to account more accurately for agency service costs. If a common service also benefits the chest and/or council, it should likewise be charged for its share of the total.

Accounting for such common service costs is a comparatively simple matter, inasmuch as the chest can pay all costs and keep the accounting for them separate. It should then put a journal entry through the general journal each month to charge the agency appropriation accounts with

their fair proportion of such costs. The credits would be to the accounts to which the costs have been charged.

Other common service costs can be handled in the same way. The important point is that costs of agency services and administrative costs should show the total cost figure, whatever it may be. This will not be the case unless such common costs are properly charged to the correct account.

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## EXHIBIT II

### COMBINATION CASH RECEIPTS AND DISBURSEMENTS JOURNAL

*Operating Fund - Cash Receipts and Disbursements*

DATE	DESCRIPTION	Cash		Bonds		Savings		Expenses		Receipts		Balance	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
12-25	Winn-Dixie	75.00											
12-26	Deposit		75.00										
12-27	General Fund Expn				75.00								
12-28	Multon Light Co		10.50			10.50							
12-29	Logan Printing Co		30.00			10.00	10.00	10.00					
12-30	John Jones		30.00			175.00	175.00				5.50	17.50	
12-31	W. H. Smith		125.00			100.00	100.00				15.00	10.00	
12-32	Mary Johnson		13.50					15.00			10.00	7.50	
12-33	Catherine Lane		11.00			6.50	6.50				8.75	6.25	
12-34	Internal Revenue Dept		66.5										
12-35	Employee Withholding			66.5									
12-36	National Health & Welfare				66.5								
12-37	Retirement Accn		77.00			236.7	236.7	10.50					
12-38	Employee Retirement Act				47.5								

Combination cash receipts and cash disbursements journal for the operating fund, assuming that the detailed expense accounts are carried in a subsidiary ledger. Under the example given, there would be a separate subsidiary ledger expense account ledger for general administration, council and campaigns.

EXHIBIT III  
CASH RECEIPTS JOURNAL

*General Fund Cash Receipts*

1945		Cash	Journal	1945	1945	1945	
Date	Item	Bank	Ledge	Pledges	Pledges	Pledges	
		Ac.	Cr.	Cr.	Cr.	Cr.	
1	Jan 1				75000	5000	1400
2	- 3	101400			55000		
3		60000		4000			
4				1000			
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							

Journal for general fund. When cash receipts and cash disbursements are kept in separate journals, this is the way in which the transactions entered on Exhibit I would appear in the cash receipts journal.



**EXHIBIT IV**  
**CASH DISBURSEMENTS JOURNAL**

*General Fund Cash Disbursements*

1945		Debit					Credit		Balance	
Date	Payee	No.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.		
1	Jan 1									
2	3	Comm Chest Operating Fund	418	7500.00			7500.00			
3	3	Boy Scouts of America	419	7500.00				7500.00		
4	3	Trusting Trustee Assoc	420	6000.00				6000.00		
5	4	First National Bank	421	10000.00						
6		U.S. Bonds (01-11)				10000.00				
7		(7 1/2% Corp. Bonds 4/1/46)								
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
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Journal for general fund. When cash receipts and cash disbursements are kept in separate journals, this is the way in which the transactions entered on Exhibit I would appear in the cash disbursements journal.

## EXHIBIT V

### GENERAL FUND BANK LEDGER ACCOUNT

SHEET NO. _____		ACCOUNT NO. <u>011Y</u>					
RATING _____		CREDIT LIMIT _____		NAME <u>First National Bank</u>			
BUSINESS _____				ADDRESS _____			
TERMS _____							
DATE 1945	ITEMS	Folio	V	DEBITS	CREDITS	BALANCE	
Jan 1	Balance per audit			87465.18		87465.18	
Jan 31	Receipts	81		1425.00		-1425.00	
Jan 31	Disbursements	81			1250.00	91715.18	

## EXHIBIT VI

### BUDGET APPROPRIATION ACCOUNT

SHEET NO. _____		ACCOUNT NO. <u>14</u>					
RATING _____		CREDIT LIMIT _____		NAME <u>Budget Appropriation from</u>			
BUSINESS _____				ADDRESS <u>General Fund</u>			
TERMS _____							
DATE 1945	ITEMS	Folio	V	DEBITS	CREDITS	BALANCE	
Jan 1	Janet up appropriation	81		70000		70000	
Jan 31		81			75200	825200	

Budget appropriation account in the operating accounts of the chest with the appropriation set up and January payment recorded.

## EXHIBIT VII

### SUBSIDIARY LEDGER ACCOUNT FOR ADMINISTRATION AND PROFESSIONAL SALARIES

SHEET NO. _____		ACCOUNT NO. <u>5111</u>						
RATING _____		CREDIT LIMIT _____		NAME <u>Administrative &amp; Professional</u>				
BUSINESS _____		ADDRESS <u>Salaries</u>						
TERMS _____								
DATE IN U.S.A.								
DATE	ITEMS	JAN	FEB	MARCH	APRIL	MAY	JUNE	BALANCE
1945								
Jan 1	To set up appropriation	J1					3300.00	3300.00 Cr
Jan 31		39.1					275.00	3025.00 Cr

Subsidiary ledger account under the general appropriation head of General Administration. This Exhibit shows the appropriation as set up originally with January expenditures recorded.



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