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PEKING UNIVERSITY

PEKING, CHINA.

January 24th 1921

Rev. W. R. Wheeler, Secretary,
Board of Trustees, Peking University,
156 Fifth Ave. New York, N. Y.

Dear Dr. Wheeler:-

A little while ago, our American Banker, Mr. Bennett of the International Banking Corporation, informed me that his office in New York was after him about our overdraft.

It seems that he referred his home office in New York to our Board office in reference to our overdraft. The reply from the New York office to Mr. Bennett was to the effect that we were not allowed to make overdrafts without distinct authorization from the Treasurer's department of the Board of Trustees. He requested me to take up the matter with you, to secure authorization for overdrafts in our account with their Bank up to a limit of say, \$30,000 local currency. At the moment our overdraft is \$13,143.84.

We have realized that technically we are not authorized to contract these overdrafts. You may be aware that these overdrafts have been carried on account of property transactions, to avoid drawing on your funds for the longest possible time. In the face of the large amount of building which we are facing in the not distant future, it will be a very decided advantage to be permitted to have an over-drawing margin with our Banker. Will you kindly therefore, secure for us, the permission for overdraft, placing with the New York office of the International Banking Corporation your authorization for our continuing overdraft at the Bank.

*Change
explain how it can*

Kindly also let me know the action taken by the Board on this request.

Yours sincerely

J. Krause

*H. Our Board of Managers,
authorized securing the
op. in the first place,
and approve the same.
JH*

0889

~~NORTH CHINA MISSION OF THE METHODIST EPISCOPAL CHURCH~~

FOREIGN MISSIONS AND C. I. M. CODES
CABLE ADDRESS: "KRAUSE PEKING"
TELEPHONE 1756 E.

TREASURER'S OFFICE, PEKING

Feb. 10th 1921

TRUSTEES OF
PEKING UNIVERSITY

Mr. C. J. Morris,
150 Fifth Ave. New York, N.Y.

TRANSFER

PEKING

Dear Mr. Morris:-

I have your letter dated December 18th in reference to various items in our Mission accounts and the post-script dealing with the University accounts.

I was struck with one sentence in this P.S., where you say, "With the farther checks which you have now drawn your office account will be largely over drawn for the year". I am absolutely sure that the drafts I have drawn on our 1920 - 21 current account have not overdrawn the Appropriations granted to us for this school year. So, I could not at first glance understand why you should remark that our account would be largely overdrawn. In glancing over your statement showing how you have closed the account for 1919 - 20, I notice that you have credited to the account the whole of the \$10,000 appropriated by the Boards in 1920, instead of only \$5,000. or one half, so as to bring the account in your books to the end of June 1920 to agree with my books. As I see it, from this end, the amount drawn from the appropriations should read,

- - - - -	5000.
And drawn from a special deficit account,	3477.63
With the balance bro't forward from 1918 - 19	6569.46

Making in all, - - - - - \$15047.09

Which you will note, balances the total amount drawn on the 1919-20 appropriation account, viz: - - - - - \$15047.09

Our appropriation for 1919 - 20 after various corrections was	
\$31040. Mex.	Mex- 31040.
On which we drew,	Mex 30094.18
Thus leaving a lapse of	" \$ 945.82

I am calling attention to these figures to show that we did not over-draw our current account for 1919 - 20.

The appropriation for 1920 - 21 as authorized by the Board of Trustees, covers the following items:

Current account - - - - -	- Mex - 20,000
Foreign Salaries - - - - -	" 9,430
Building alterations and improvements - - - - -	" 6,000
Deficit 1919 - 20 - - - - -	" 6,000
Making a total of - - - - -	Mex \$ 41,430

0890

Forward total - - - - - \$41,430 Mex

Since deficit in the 1919 - 20 budget does not appear in my accounts, I am not planning to draw the amount shown above as assigned to the 1919-20 deficit , - - - 6,000

This deducted from the total account, leaves, \$35,430 Mex.

Which is the amount that I am drawing on to cover our accounts for the school year 1920 - 21.

Since I am not planning to draw the \$6000. estimated for 1919 - 20 deficit, you will note that this leaves in your accounts the \$3000, to cover the deficit I have mentioned earlier as on 1919 - 20 budget in your accounts. Therefore, if you should take out of the account which you have shown closed \$5000., transferring this amount to the 1920 - 21 appropriation account and writing in its place the exact amount of the deficit, \$3477.63, charging it to a running deficit account, there is a prospective deficit of only \$477.63.

In the 1920 - 21 appropriations account, your books would show this 1920 balance of \$5000. and one half of the appropriations from the Boards for 1920, \$5000, totaling - - 10,000 From other sources for 1920 - 21 - - - - - 7,715

Making a total of - - - - - \$17,715.

Which is the amount in Gold that I am expecting to draw at a par of two to one. *or Mex \$ 35,430.*

In this way you will find that my accounts will not be over-drawn at all at any period during the year.

I am dealing with these particular items at this time without going into other details of the accounts so that on the work of closing the accounts from year to year, we may come to a perfect agreement as early as possible, to avoid difficulties as time goes on. I hope that after a little study of the statements submitted herewith, you will find them sufficiently clear to enable us to think together on this matter.

As early as possible, I shall go into the accounts relating to property transactions, so as to give you a clear statement as to the writing up of these accounts.

Yours sincerely

J. Trause

Enclosures

TRUSTEES OF
PEKING UNIVERSITY

March
Fifth
Nineteen Twenty-one

Mr. O. J. Krause,
Peking University,
Peking, China.

TRUSTEES OF
PEKING UNIVERSITY

My dear Mr. Krause:-

We had a short conference this week between Mr. McBrier, Mr. Caskey, our new secretary, Mr. Morris and myself on various financial matters. It was decided that it would be a very great advantage to us in financing the university at this difficult time to ask you to follow out one or two specific steps every time that you draw upon us.

You already have our instructions to cable in advance of every draft. Mr. McBrier was somewhat at a loss to understand why, in the case of one of the drafts last Fall, your cablegram was sent two weeks after the draft had been drawn, and cablegrams were not sent at all in connection with other drafts.

Will you, accordingly, every time you draw cable us on the day you draw the amount of the draft in gold and the amount which you realize in local currency. Will you, at the same time, write us confirming the cablegram and specifying the account upon which the draft is made, whether for property and equipment or for current expenses. Such a procedure will enable us to collect on loss and exchange from the Boards much sooner than we have been able to do heretofore and will assist us in maintaining balances necessary to justify the loans which we have had to negotiate in financing the property purchases.

We have not yet had word from you as to the amount in local currency you have received for drafts drawn between July first and December thirty-first, 1920. I hope that that information is on the way and that we can speedily settle with the Boards for the accounts of that year. If this has not been sent, please forward it immediately.

I have your letter of January 24th concerning the matter of the overdraft. You are correct that you are not authorized to contract these overdrafts. It was the judgment of our conferences that we could not ask the Executive Committee of the Trustees to authorize these overdrafts until we learned why they were incurred. I remember that you were carrying an overdraft for some time for property at the

0892

which was wiped off by a \$25,000 draft upon us. But I do not understand how you have contracted an overdraft of \$13,000 on account of property transactions when we have authorized you to draw up to 180,000 Mexican for the new site, and I presume that you have already drawn that in the 42,000 of drafts on that account sent in November and December. If these drafts are on account of property at the new site, the incurring of the overdraft over and above the amount authorized by us is laying upon us an obligation which we have not authorized. I certainly hope that no such action has been taken, but that some other explanation of the expense of the overdraft can be made.

If, however, this is the explanation, and the Trustees are financially involved by an action which they did not authorize, the situation will be very embarrassing, both upon the field and at home.

Furthermore, I note your statement that in view of the large amount of building to come in the not distant future it would be an advantage to have an overdrawing margin in the bank. It seems unlikely that the Trustees would authorize building operations until funds are in hand to cover those operations, in which case overdraft would be unnecessary. Your effort to avoid drawing on our funds for the longest possible time is appreciated, but we shall be greatly embarrassed if we are not promptly informed concerning overdrafts whenever incurred.

I trust that you will write us at once providing us with the specific information necessary for us to deal wisely with this matter. It is always our desire to deal as generously as we can. Under the circumstances of our limited income, to do so we must have full information.

Cordially yours,

BMN
CMB

C O P Y .

March 21st
1921.

The Rev. O. J. Krause, Treas.,
Peking, China.

Dear Brother Krause;

Your letters of February 10th, answering mine of December 18th, are at hand. I want to take up the matter of the \$3,000 which we have given you credit for under North China Account and ask you to adjust. I took the matter up with you in this way, thinking since you had had this money on the Field, it would be easier for you to get the money from the Mission funds rather than have me charge the full amount to your Appropriation.

I see that you do not fully understand my intention there and you are not quite clear about receiving the credit for the same. You have had this money. I am now putting thru a check, passing this money over to the Trustees of Peking University and charging it to the North China Mission Account, but I cannot give you another credit for this amount.

To explain a little further: If you will run thru your North China Mission Accounts you will find that you had your entire Appropriation for last year of \$222,285 plus \$2,000, which we credited to you and charged to Advances to North China. You will find these credits on the statements for last year under the following items:

Regular Recurring Budget	\$150,000.00	
Credit for the 40,000 Mex.	46,190.00	
Special gifts-Detroit Area	465.00	
F. D. Gamewell	5,000.00	
Peking University	3,000.00	
	3,000.00	
Lanhsien (Mark Brown)	1,500.00	
Dientsin Dormitory	15,000.00	
Balance Current Budget	129.68	
Charge to Advance to N. China		<u>\$2,000.00</u>
	<u>\$226,285.00</u>	
Or giving you a total	2,000.00	
Appropriation	Credit	<u>\$224,285.00</u>

(Over)

0894

The Rev. O. J. Krause, Treas.

March 21st, 1921.

I find that I did not give you in your Mission Account credit for the other \$1,000.00 which I had charged to Loss in Exchange on account of Peking University. That is to cover one of the items of \$3,000 for Peking University I had charged loss in exchange and give you credit on the advances for North China, reducing your loans by that much. I am now passing a journal entry thru the North Cina Accounts, showing a debit and a credit of \$1,000, which has been applied on your advances. This will give you a record on your statement. I trust this will make the matter clear and show you that there is not due you a credit of \$3,000.

I will not now go into the detail of your letter, concerning the accounts of Peking University other than to say that I now understand your desire of handling the accounts by years and will get the books adjusted accordingly. The thing I must urge upon you immediately, however, is that I have not had a statement of your loss in exchange since the last report I showed you. It is imperative that we have this loss in exchange in order to show the Boards at the Annual Meeting just how they stand. I hope that this report is on the way. The Boards are getting the impression that you are very lax in sending in your loss in exchange statements. Whether it is true or not, I understand that your report cannot be made up until the end of your year. I think, however that it would be better for you, in drawing each draft, to figure out just what part of the draft is to be applied on Appropriation and what part is exchange and then make it certain that you write immediately to me explaining this so that I can incorporate it in my accounts.

We have had three or four long conversations with the Presbyterian Board and are not yet on a definite basis as to the settlement of loss in exchange. As I see it now, I think the University or the Trustees is due to lose a \$1,000 or \$1,500 on this exchange, so you will see the importance of my emphasis on your reports.

See to it that you do not draw a draft without sending full information as to what it is for in a covering letter.

Yours very truly,

OJM
R M

Copy.

April 5th 1921

Mr. O. J. Morris,
150 Fifth Ave.
New York:-

Dear Mr. Morris:

Enclosed find statement of drafts issued for property and current account to date. Mr. Wheeler has written asking for information in regard to drafts which I have made on the Trustees for the year.

Mr. Wheeler speaks about the amount of exchange to be charged to the various Boards on the current account for the year. With the rapid return to a normal exchange rate, it appeared early in our School year, that there would be very little exchange to call for from the Co-operating Boards on the account for this year. You will see from the statement of drafts drawn on current account, that a matter of \$2500. G will cover the difference between par on the amounts I have received for the drafts. I have still three months drafts to make, which if the rate remains at the recent figure, will help to offset some of this difference, so that at the close of the year, perhaps \$2000. gold will cover the exchange.

One method of handling the matter of charging the Boards so as to keep your books to date, would be to divide the amount of the drafts issued on current account, among the four co-operating Boards proportionate to their appropriations: in this way, automatically with each charge, if there is any exchange variation either gain or loss, the account in your books would cover the same. There is one factor that needs to be kept in mind however, in this method of handling the accounts. It is the fact that the Boards do not cover the whole appropriation granted to the Board of Managers by the Board of Trustees. For the present year, the ratios are as follows: Three of the Boards, three each: one Board, one: the balance 7.715 needs to be written up in your books in some special account, under some head, "to be provided from other sources". In this way, the amount to be written up against the three Boards is \$2676. each: \$892. for the L.M.S. and for the special account \$6880. These amounts added together will make the total of my drafts on the Board of Trustees \$15,800. You will see from this, that there is up to the present, still a small margin left of the appropriation, from each Board for the rest of the year.

Again, taking it that these amounts cover 3/4 of the years work, as they approximately do, it will be found that since the appropriation for 3/4 from each of the three Boards is \$2250. the amount \$2676. has in it, \$426. exchange.

The item of exchange for the remaining quarter, promises to be nil, and perhaps in favor of the Boards, rather than against them.

0896

April 5, 1921

I am taking it in the foregoing statement, that the Boards are granting at two to one, and that any gain in exchange reverts to the Board. On this point however, I am not clear, and it must be left with you to find out about this.

While on this matter of exchange, I should make mention of the fact that Treasurer McBrier has requested that I report with each sale of draft the amount received in local currency. If it is permitted in the future, I will show the amount realized in local currency on each draft drawn, so that as soon as you pay a draft, you will have the facts at hand. If not permitted, I will then send a separate report. This then will open up another method of handling the exchange item; by simply dividing the local currency amount shown on the draft by 2, reduces the amount to gold at par. The difference between this gold amount and the gold amount of the draft, shows the gain or loss, in exchange.

In another paragraph of his letter, Mr. Wheeler asks regarding the value of our holdings in the City, and speaks of having received two or three different amounts from different persons. By reference to my balance sheet of June 30th, 1920, it will be seen that the list of properties, of which Mr. Wheeler speaks as accompanying my report, agrees exactly with the balance sheet and at this time, was the value of the property. Because of improvements in buildings used for the College work of the University, and because of earlier pledges on a few pieces of property within the area named, various items have had to be entered into the accounts to represent the value of the property up to date. I am trying to find time to make a new statement of all the properties, incorporating into the new statement all of the changes which have occurred since the last report.

In still another paragraph of Mr. Wheeler's letter, he speaks of drafts having been presented for payment, and uses these words "We judge that this amount was drawn against the land purchase but would like more specific details concerning the use of this draft and the other two for \$1000. each". It sure "gets me" to be faced with a question like that when on each draft there is stated clearly for what account it is drawn. I have been careful to do this, that you might enter each successive draft into its proper account. I do not see how this plan can be improved upon. Of course a letter might be written, saying what account a draft is drawn for, but I venture to guess that when the draft came in for payment, the letter would be in some other place and not help out much in the matter.

I have already written you under date of February 10th, 1921 relating to the current accounts to which you referred in your P.S. with letter dated December 18th, 1920. Referring again to this matter, I note what you say in reference to the supplementary statement with that letter. This statement shows how you have applied the 1919 - 1920 drafts drawn by you. I note that you have followed a suggestion appearing with my summary of the 1919 - 1920 appropriation account, sent with my letter dated August 27th 1920 to Mr. Wheeler.

Since going over the various statements sent by you, I have come to see more clearly, that that is not the best way of handling the accounts:

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April 5, 1921

As already stated in another paragraph of this letter, it will be necessary to have another account in your books to carry the amount of the appropriation to the Board of Managers, not covered by the appropriations from the Boards. That account, then, would handle ~~def-~~icits as they accrue from year to year, rather than have these *accrue* ~~accounts~~ in your account with us here. To do the latter, will get us so involved, that there will be no digging us out later.

Following is an illustration of what I have in mind in handling the appropriations for each separate year. I am using the 1920 and 1921 appropriations as a basis:

Journal

1920 - 21 - Appropriations to Board of Managers, - -		Credit
		- \$20715.00
	<u>Debit</u>	
American Board	3000.	
M. E. "	3000	
Presbyter- "	3000	
L. M. S. -	1000	
Other Sources	<u>10715.00</u>	

To cover the Appropriation of Mex \$41430. at 2 to 1 granted to the Board of Managers as per action of the Board of Trustees
(Date)

A treatment of this matter in this way, shows ~~me~~ what is involved in the Appropriations made to the Board of Managers: and it will be possible from year to year to show in the account headed "other sources" how nearly funds from other sources are meeting the appropriation granted to the Board of Managers. If for example in your accounts the account headed "Board of Managers Appropriation" were treated as above, instead of showing a deficit as you do in your Nov. 30th 1920 statement, it would show a credit, even if all of the drafts drawn to date totalling \$15800. were entered against the credit of \$20715.

I think our main difficulty comes from looking at the Appropriation in different ways. That is, you are regarding the Appropriation to the Board of Managers as only \$10,000. - The total amount appropriated by the various Boards. This may be natural, but without much thought you can see where it will land us.

It seems to me, it is absolutely essential that you have an account on your books with some such title as "other sources", which must carry the difference between the total Appropriation to the Board of Managers and the amounts granted by the co-operating Boards. To that account should then be carried receipts from other sources secured for covering the current budget of the University: then, provided we on our part, do not over draw the Board of Managers appropriation account, this particular account will gradually accumulate *the* ~~to~~ various deficits occurring from year to year. As long as these accumulated deficits are sort of held against the Board of Managers account, we shall not be able to come out together, ever.

So much for our current items account. In another letter I will take up the details of property accounts.

Yours sincerely,

0898

RECEIVED BY
ERIC M. NORT ()
(DATE)
5/23/21
TO THE REFERRED DATE
BY ANSWERED DATE
BY PASSED FILE DATE
BY FILE DATE

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NORTH CHINA MISSION OF THE METHODIST EPISCOPAL CHURCH

FOREIGN MISSIONS AND C. I. M. CODES
CABLE ADDRESS: "KRAUSE PEKING"
TELEPHONE 1756 E.

TREASURER'S OFFICE, PEKING

April 14th 1921

Mr. E. M. McBrier,
Woolworth Bldg.
New York, N. Y.

My dear Mr. McBrier:-

I have your "call down" of December 28th 1920 in reference to our drafts for the new site account.

In your letter you refer to the cable sent by Dr. Stuart, saying that the "net price of the site was \$40,000. Mex: the purchase is completed" From this you infer that we have exceeded the amount by \$14,000 Gold. The whole trouble, it seems to me, is due to the fact that Dr. Stuart's cable speaks of the purchase being completed, when the completion in this instance, has reference only to the particular part of the site purchased from the Military Governor of Shensi. A number of other plots of ground are also being purchased for the new site. The permission cabled, was that we might draw \$80,000 Mex.

Following is a list of the drafts made on the grant of \$80,000:

1920 - Oct. 13th - G	\$10,000 @ 145	-	14,500.
Nov. 11th - "	22,000 @ 14633	-	32,192.60
Nov. 20th - "	10,000 @ 1544	-	<u>15,440.</u>

Which makes a total to date of \$62,132.60

Leaving nearly \$18,000 Mex uncalled for.

Numerous letters of Dr. Stuar's have no doubt been received by the Secretary in New York, giving full details in reference to these property transactions.

I believe cable notices have been sent for all the drafts issued during the last six months. It has happened once or twice that delay has been occasioned in sending these notices due to our endeavor to save expense by combining such messages as Dr. Stuart wished cabled, and the notices of the drafts issued. Recently we have decided that on the issuance of a draft, cable notice will be sent immediately without any attempt at combining these messages with any others.

Yours sincerely,

J. Krause

PEKING UNIVERSITY

0900

燕京大學

PEKING UNIVERSITY
PEKING, CHINA.

TRANSFER

PEKING

April 15th 1921

Mr. O. J. Morris,
150 Fifth Ave. N.Y.

Dear Mr. Morris:-

Enclosed find statement of drafts issued for property and current account to date. Mr. Wheeler has written asking for information in regard to drafts which I have made on the Trustees for the year.

Mr. Wheeler speaks about the amount of exchange to be charged to the various Boards on the current account for the year. With the rapid return to a normal exchange rate, it appeared early in our School year, that there would be very little exchange to call for from the Co-operating Boards on the account for this year. You will see from the statement of drafts drawn on current account, that a matter of \$2500. G will cover the difference between par on the amounts I have received for the drafts. I have still three months drafts to make, which if the rate remains at the recent figure, will help to offset some of this difference, so that at the close of the year, perhaps \$2000. gold will cover the exchange.

One method of handling the matter of charging the Boards so as to keep your books to date, would be to divide the amount of the drafts issued on current account, among the four co-operating Boards proportionate to their appropriations: in this way, automatically with each charge, if there is any exchange variation either gain or loss, the account in your books would cover the same. There is one factor that needs to be kept in mind, however, in this method of handling the accounts. It is the fact that the Boards do not cover the whole appropriation granted to the Board of Managers by the Board of Trustees. For the present year, the ratios are as follows: Three of the Boards, three each: one Board, one: the balance 7.715 needs to be written up in your books in some special account, under some head, "to be provided from other sources". In this way, the amount to be written up against the three Boards is \$2676 Each \$892 for the L.M.S. and for the special account, \$6880. These amounts added together will make the total of my drafts on the Board of Trustees \$15,800. You will see from this, that there is up to the present, still a small margin left of the appropriation, from each Board for the rest of the year.

Again, taking it that these amounts cover $\frac{3}{4}$ of the years work, as they approximately do, it will be found that since the appropriation for $\frac{3}{4}$ from each of the three Boards is \$2250., the amount \$2676. has in it, \$426. exchange.

The item of exchange for the remaining quarter, promises to be nil, and perhaps in favor of the Boards, rather than against them.

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While on this matter of exchange, I should make mention of the fact that Treasurer McBrier has requested that I report with each sale of draft the amount received in local currency. If it is permitted, in the future, I will show the amount realized in local currency on each draft drawn, so that as soon as you pay a draft, you will have the facts at hand. If not permitted, I will then send a separate report. This then will open up another method of handling the exchange item; by simply dividing the local currency amount shown on the draft by 2, reduces the amount to gold at par. The difference between this gold amount and the gold amount of the draft, shows the gain or loss, in exchange.

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So much for our current items account. In another letter I will take up the details of property accounts.

Yours sincerely, *Grause*

Ch this entry I have increased the \$6000. Mex. Jan 1919-20 after

NORTH CHINA MISSION OF THE METHODIST EPISCOPAL CHURCH

FOREIGN MISSIONS AND C. I. M. CODES
CABLE ADDRESS: "KRAUSE PEKING"
TELEPHONE 1756 E.

TREASURER'S OFFICE, PEKING

April 21st 1921

5/23/21

Mr. O. J. Morris,
150 Fifth Ave.
New York, N.Y.

Dear Mr. Morris:-

Referring again to the matter of our current account appropriations, I have drawn up our Board of Managers appropriation account for the Periods 1917 - 1919 and 1919 - 1920 and starting the account for 1920 - 1921.

I am also giving a statement of the "Other sources" account, as it works out from the point of view of my previous letters.

All of this may seem useless to you; but it is an attempt on my part to give in concrete form, the idea I have in mind as to a way of handling the accounts so that we can be sure of coming out somewhere at the same point.

The statements I am enclosing, you will recognize as ledger accounts, the details going into these accounts are all familiar to you and no further explanation is required.

Yours sincerely,

J. Krause

0904

燕京大學

PEKING UNIVERSITY
PEKING, CHINA.

April 21st 1921

5/23/21

off

Mr. O. J. Morris,
150 Fifth Ave.
New York, N. Y.

PEKING

TRANSFER

Dear Mr. Morris:-

As promised in my recent letter I am writing today in reference to the property section of our ledger.

I have before me your balance sheet of Nov. 30th 1920. In reply to your inquiry as to where the \$13125.45 now held against the "Treasurer of the Board of Managers", I would say that this amount should be transferred to the property account in your ledger. It covers a remittance made to the Field in 1918 which was used in paying a balance due on one of the City Plots.

In my judgment the item "Science Supplies \$7733.05" should be treated as a permanent account in the Capital section of the ledger. As to depreciation, we shall have to keep you posted. It is possible that replacements year by year may keep the item at par for several years without writing off the depreciation.

In regard to the item "Equipment, heating plant, \$2782.73" of this account should be incorporated with your property account, City Site, as equipment installed in one of the properties in the City, where it will remain and will have to be reckoned in any transfer that may be made. The balance, \$2500. must be held as "Equipment - heating plant," and treated as a Capital account. This amount represents one of the furnaces not yet installed which will, in all probability, go out to the new Site.

I have now incorporated the items mentioned in the two preceding paragraphs in my ledger account. They appear in the balance sheet, the first under Science Equipment: the \$2882.73 heating item is a part of the amount shown under property #122, and the \$2500. under "Equipment - furnace".

I notice in your balance sheet of Nov. 30th that you are still carrying \$100. in the Suspense Account. If this is the \$100. I placed there when writing up the accounts - see entry under April 15th 1919 - it has to do with an item of \$100. which the Treasurer of the Presbyterian Board had written in his statement as representing a check sent to Treasurer McBrier. Mr. McBrier's record did not show receiving the check, and when endeavoring to trace it in the office of the Presbyterian Board, it seemed that no record of such a payment could be found. The amount therefore was left as shown in suspense until the Treasurer of the Presbyterian Board could show how the item was handled.

0905

If, as I say, the amount in your ledger is the original item, then it seems to me, it is up to the Treasurer of the Presbyterian Board to show that such a check was issued and paid over, or else issue a new check to the Treasurer of the Board of Trustees to cover the amount.

Herewith I am sending a comparative balance sheet of our property ledger. In it are listed the baln'cs of June 30th 1920 and those appearing under date of April 16th 1921. It is possible from this ~~sh~~ sheet to note the changes in the various Capital and Property accounts in my ledger. In the last column of this sheet, I have shown the equivalent of various items in U.S. Currency. ^{This} I have deemed necessary, so that we might have a basis of ~~change~~ ^{comparison} between your ledger and mine.

A word in reference to the amounts shown to the credit of the Capital accounts of the various Boards. You will find on comparing the figures on my sheet in U.S. Currency, that the American Board, the London Missionary Society and the Methodist Episcopal Board amounts are the same as shown in your property account balances of Nov. 30th 1920. The Presbyterian Board Capital account in my ledger is \$12000. more than your ledger account shows. This is brought about by the fact that the Presbyterian Mission has paid over to our accounts, \$2000, to bring their contribution up to the proposed \$50,000 participation. In addition to this, the Presbyterian Mission has turned over another \$10,000 from a special fund which they are prepared to leave in the property accounts of the university, as I understand.

Besides these Capital accounts, you will find on my sheet others as follows:

1. "Capital funds - Account with the Board, \$26515.78". On sheet #4 of the statement you will find an analysis of this account.
2. "Chen Gift - Capital \$10,000". This item is incorporated in our accounts in accordance with the agreement when purchase of a section of the new site was made from the Chen family. The purchase (Mex) price of the plot was rated at \$60,000; of this amount the seller agreed to remit \$20,000 (Mex) to be counted as a subscription to the property account of the University.
3. "University Capital \$3000." This item represents the amount appropriated in this years current budget for alterations in property on the City Site. Since the entire amount has gone into permanent alterations, it has seemed proper to open this account to represent the amount put into our City Site from our general University funds.
4. "Womans Board, of Interior - Congregational \$3468.21 This account represents funds turned over by the Womans Board of the Congregational Church for the new site property account.

In this balance sheet is shown an item of \$12445.37 Mexican, over-draft at our Bank. By glancing over the balance sheet of June 30th it will be seen that this over-draft practically covers what appeared in our last balance sheet as Loans Payable, \$5357.14 Mex, and an over-draft at the Bank at that time of \$5032.16 Mex.

3.

The other items of the balance sheet I believe, will be clear without remark. In the sheets following this balance sheet I have endeavored to show the details entering into the main amounts shown in the ledger, as follows:

Sheets 2, and 3, give a list of the property including the item of alterations to date. It should be noted that the item noted as alterations, \$6024.12 Mex, will later be distributed among several properties affected by alterations, the data of which is not, at the present moment of writing up these accounts in my hands.

Sheet #4, gives an analysis, by Missions, of funds invested in property.

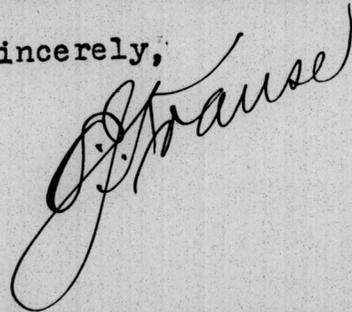
Sheet #5, gives an analysis of funds invested in the City Site. In writing up this analysis, an effort is made to collect the items somewhat chronologically, in order to link the various divisions of the statement with items already shown in your accounts there. For example: The first section represents the amount shown in the balance sheet of June 12th 1919, \$163061.07 minus the Birchel credit of \$14587.10; the next division represents the \$60,000 which has been added into the property account in your books between the balance sheet of June 12th 1919 and that of Nov. 30th 1920. The other section of sheet #5, represents amounts that have gone into the City Site not yet appearing in the property account in your ledger. The amounts shown represents payments of obligations on property held by us in the City. The last section of this sheet #5, simply takes note of the alterations made during 1920 - 1921 College Year.

Sheet #6 - On sheet #6 an analysis of the funds invested in the new site to date is shown. On this sheet as on sheet #5, attempt is made to show the items in sections, so as to link the amounts shown to date already in your hands or appearing on our balance sheet. You will note that the first section covers \$42,000, representing the drafts I have made on the Board of Trustees for the New Site. The section shows how the amount in local currency received from this \$42,000. is distributed in my Ledger. The data for distribution as shown, appears in your letter dated Sept 28th in the second paragraph.

The other sections on this sheet link definitely with our balance sheet, so that other explanation is unnecessary.

These various statements have been drawn up looking at the accounts from different angles in order that you might have data sufficient to understand the accounts as appearing in my balance sheet and thus enable you to make such entries into your ledger as will bring it into harmony with the facts as they appear in my ledger.

Yours sincerely,



0907

京大學

PEKING UNIVERSITY
PEKING, CHINA.

June 1921
Financial Statement page 2
July 13th 1921 - *of Krause*

Mr. O. J. Morris,
150 Fifth Ave.
New York, N.Y.

TRANSFER

PEKING

Dear Mr. Morris:-

I am sending herewith a copy of our University Financial Report for the Year 1920 - 1921.

It embraces the following statements:-

1. Page 1- Balance sheet
2. " 2 & 3 Financial Statement
3. " 4 & 5 List of City Property
4. " 6 Memo of drafts on current accounts.
5. " 7 " showing how the balance in the Capital funds account of the Trustees is arrived at.

Sometime ago I sent a statement of our property account giving full details of this account. In the present report you will find the balance sheet showing the permanent accounts are almost identical with the balance sheet sent with the property accounts. A few minor changes have occurred in this balance sheet as follows:

In the debits, changes appear as below:

1. In the Equipment account - Furniture
2. New Site account
3. Property - City Site

These changes are due to items entering into the accounts since making the previous statement.

On the credit side, changes as follows:-

1. Capital Funds account - due to draft on Board since making former statement.

In the Financial Statement, under permanent accounts, I have shown under receipts the amounts entering into the various accounts during the year.

The amounts entering into the several Mission accounts will all be made clear by reference to page 7, except the item for the Presbyterian Mission.

0908

Morris

2.

June 1931

Into this Mission account there has entered an additional G \$12000. received here on the Field. This amount represents a balance of G \$2000. left in the hands of their local Treasurer from the Presbyterian Boards Appropriation of \$50,000 for property. It includes also, G \$10,000, a special fund held by their Treasurer locally which it was thought by the Presbyterian Mission representatives here, could properly go into the property account of the University, and we have used the proceeds from this amount in the City ^{and} New Site account as shown in my former statement.

In this same section of the Financial Statement, you will note G \$3000 listed as University Funds. This represents that amount expended on various property improvements on the City Site, obtained through the regular appropriations for the year. You will note that the item shown under the current ~~account~~ account received from the appropriations is \$6000. less than the amount I show received from the drafts on current account on page 6. I might have shown under the current section of the Financial statement, the total amount of the appropriation, and then on the other side of the statement, shown the \$6000. transferred to the property account. This however, would have increased my current budget totals by that amount, which it seemed just as well not to do.

On sheet #6, in view of our correspondence in reference to exchange matters, is shown a ~~pro-rata~~ pro-rata division of the loss on exchange for the year. This of course, is merely a suggestion: I am not certain that you are following such a division as this.

With these brief notes, I believe the report as a whole will be quite fully understood by you.

You will note that the statement I am sending you does not show any auditing: it is impossible to get the statement audited at this time, but I believe you will wish to have a copy of the report at the earliest possible moment, to be able to answer any questions that may be asked in reference to our financial work of the past year. As soon as the report is audited, the audited statement will be sent to Treasurer McBrier.

Yours sincerely,

Enclosures

J. Frause
Tras

0909

August 10, 1921

Mr. O. J. Krause,
Treasurer, Board of Managers,
Peking University,
Peking, China.

Dear Mr. Krause:-

We have advanced to Mr. and Mrs. E.O. Wilson \$500 for traveling expenses, not including steamer fare, from the United States to Peking. The balance of this amount, over and above legitimate traveling expenses, is, of course, to be returned to the University. I am writing to ask that you notify us, when the Wilsons settle this account, as to what this balance is, and then credit the balance to the Appropriation Account of the Trustees to the Managers. We are carrying the Wilson account in the Building account.

We have been somewhat perplexed here on receiving information from Mr. Gibb that the bill rendered by Murphy & Dana some time ago had been paid in Peking. Apparently the bill was rendered in both places and was settled in Peking. I had sent to Peking the bill which was rendered here for approval but no one in Peking ever informed me as to the settlement which had been made.

I have put into Mr. Gibb's hands the perplexities which we have here on our accounts with reference to statements as they have accumulated on the balance sheets which you have sent forward from time to time during the years. He has your letters of April 21st and the statement made at that time and will try to straighten out the matter for us. I had prepared a letter for you indicating the difficulties we had but did not send it as your statement arrived about that time. I am hoping shortly to complete a revision of the accounts of the Trustees here as Mr. Morris was confused as to the arrangements for charging loss in exchange and it meant the re-writing of some sheets of the books to straighten out the matter.

I am sending to Mr. Corbett a copy of the form

0910

Mr. G. J. Krause

-2-

used by the General Education Board for the financial statements of universities and colleges. I have asked that he and you and Dr. Stuart consider the form and see whether we cannot use it for our Peking statements. ~~To~~ do it would promote correctness and completeness for us all if we could have it in a form somewhat like this. I should be glad to be advised of any modifications which in your judgment seem necessary in order that we here and you on the field may agree as to some standard form.

Track

Cordially yours,

EMC VH

Secretary.

0911

燕京大學

PEKING UNIVERSITY
PEKING, CHINA.

TRUSTEES OF
PEKING UNIVERSITY

October 8, 1921.

Dr. Eric M. North, Secretary,
Board of Trustees, Peking University,
New York City.

Dear Dr. North:

Your letter dated August 10th covering various items was duly received. Only yesterday the account of Mr. and Mrs. Wilson's traveling expenses was received and adjusted. Enclosed I send copy of the statement rendered, which shows G.\$27.85 due Mr. Wilson. This amount was adjusted at the rate of \$1.80, making \$50.13 in local currency. I am charging the item to the construction account in my books.

Check copy P. 4 + return ✓

In reference to your remarks on the payment of the Murphy and Dana bill some time ago, I would report that the statement was sent to my office O.K'd. by President Stuart. I was not aware at the time that a copy of this statement had been sent to New York, nor that you had sent the statement back from New York probably with your O.K. for payment here. I did not report the payment of this particular item to you because it has not been the rule to report the various details entering into our accounts during the year. ✓

Another statement from the architects, Messrs. Murphy and Dana, has been received from Shanghai, dated September 8, 1921, covering the period from November 1, 1920 to June 27, 1921. The amount is \$5,526.44 Mex. Dr. Stuart has O.K'd. this account and is of the opinion that we are authorized to draw on the Treasurer of the Board of Trustees for this item. I am therefore drawing on the Treasurer for G.\$_____ to cover the item. On the draft I am noting that the amount is to cover architects' fees. ✓

Copy to Messrs ✓

Since Mr. and Mrs. Wilson have arrived on the field there will be his salary payments each month on the construction account. It will be necessary for me to draw on the Treasurer of the Trustees to cover this item in addition to the regular appropriation items month by month. I mention this to make sure that it is understood Mr. Wilson's salary is separate from the regular appropriations from the Trustees.

Whelan? what is amount monthly amount in food? ✓

In reference to your remarks regarding the property statements sent from time to time, I hope Mr. Gibb has been able to help straighten out the accounts. I found it no easy matter when in New York in the spring of 1919 to start the University ledger and incorporate in it all the property statements up to that date. Fortunately, the statements in New York had all the information necessary to work out the details going into the various items in the property statements, so with a little care I was able to adjust each of the various items.

0912

PEKING UNIVERSITY

PEKING, CHINA.

Dr. E.M.N. 10-8-21

-2-

With the statements sent this spring I intended to include all such data as would enable an accountant in the New York Office to make the adjustments on the University books there, so as to bring them to date and in harmony with the facts as shown in those statements. From my experience in writing up the accounts at home I am inclined to believe that our financial statements year by year should be rendered in both currencies. It will not be very hard here on the field to work out the various exchanges going into the different items, but it is not at all an easy matter in the office at home to decide on what rates or average rates to use for the different items. It is possible to one conversant with the details of the accounts, but for one not thus conversant, it would take quite a little study and working out of the various averages before a final result can be reached. I shall keep this in mind, and in any other statements prepared for your office shall show in parallel columns the amounts in both currencies.

In this connection the whole question of accounts as between Peking and New York comes to mind. Is the attempt made in your office to enter all of the current account items into the University accounts there, as well as all of the property details? This I think has been the attempt up to the present time. I am wondering whether a simpler arrangement would not be somewhat as follows:

First. That in your accounts only property items be incorporated, and our statements from here so prepared that they can be entered without difficulty into the ledger there. As for the current items accounts, it would seem to me that a single account in your books with the field Treasurer, into which only the appropriations are credited and the remittances charged, would be sufficient. It would be necessary then to take the statements for the current expenditures from the field as the final statement for those items. These, for the purposes of comparison year by year, could be converted into gold at a par of exchange, say two for one.

I realize there are certain items of expense incurred annually by the Board of Trustees which should somehow become a part of the current statement. One way in which these items and other expenditures in America on account of items related to the field could be incorporated in the current annual accounts of the field would be to make regular monthly or quarterly statements to the field Treasurer, showing these items; i.e., all such items can be charged directly to the field Treasurers account in your ledger, with the understanding that they be incorporated in the accounts on the field under proper headings. So much by way of finding some way of making the work of accounting clearer for the New York end of our line.

PEKING UNIVERSITY

PEKING, CHINA.

Dr. E.M.N. 10-8-21

-3-

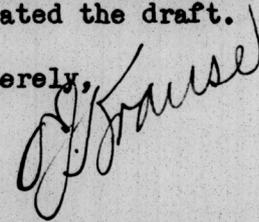
I note your statement that you are sending forms used by the General Education Board for financial statements for universities and colleges. Mr. Corbett has sent these to me and I have gone through them carefully. It is hardly worth while for me to remark that they are in splendid form, for I realize that experts have been at work in drawing up such forms as these. Dr. Stuart, Mr. Corbett and I have not yet had opportunity to take these forms and consider them with a view to using them for our financial statements. We are aiming to take some little time to go through the forms, and when this has been done a report of our findings will be sent by our Secretary, Mr. Corbett. Some difficulties occur to me now, and I shall speak of them in a general way.

Ordinarily it should not be difficult to bring all our financial data into these forms. There is one difficulty ahead of us as regards the items relating to permanent funds. It will no doubt happen as time goes on that some of the permanent funds will be held and invested in New York. Other permanent funds will also be either sent to the field or received on the field for permanent investment. Here again it will be difficult to make a complete statement at either one of the offices. I have generally taken the attitude that permanent funds for endowment should be kept in the hands of the Trustees, and invested in the home land. This is true especially of funds contributed in America. For such funds as may be received on the field, an annual statement, made early enough, could be used in New York for making a complete statement.

You will realize, therefore, that for a large section of the forms sent, most of the data would be in the hands of the Treasurer of the Trustees. If it should happen that most of the endowment funds are held in New York and invested there, then in order to make the report for current receipts and expenditures conform to the General Education Board forms, full data of income from the endowment and its use would have to be reported to the field Treasurer, so he could place the proper amounts in the proper spaces in the reports. It happens that at the present time we are not troubled much about items in the endowment section of this report, but I am calling attention to some of the difficulties that occur to me in the matter of reports, that the whole subject may be kept in mind, and if possible studied by someone, so as to work out some plan whereby the matter might be handled with accuracy and the greatest possible ease.

Referring again to the matter of paying the Murphy and Dana account, I find that exchange has risen since day before yesterday, as much as \$8.00 on the hundred. I am therefore delaying my draft on the Treasurer for a day or two, and will report the correct amount by cable and letter, as soon as I have negotiated the draft.

Yours very sincerely,



UNIVERSITY OF CALIFORNIA

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09 15

C o p y

October 6, 1921

Subject: Expense account of F. O. Wilson, exclusive of steamship ticket
Chicago to Peking.

Railroad tickets, Chicago to Seattle	\$183.59
Excess baggage and transfers en route	90.01
Passports	10.00
Telegrams	4.00
War Tax (on steamship tickets)	13.00
Japanese vise	7.25
Hotel (Seattle and Shanghai) meals on train and baby food.	135.00
Railroad fare Shanghai to Peking	85.00
	<hr/>
	\$ 527.85
Amount paid by University	500.00
	<hr/>
	\$ 27.85

Amounts given in American gold.

No. 388

09 16

TRUSTEES OF
PEKING UNIVERSITY

November
Twelfth
1921

Mr. D. J. Krause,
Peking University,
Peking, China.

My dear Mr. Krause:-

I have just written to President Stuart concerning the Budget for next year. This authorizes you to draw upon the Trustees for an amount not to exceed \$16,000 G or \$32,000 L. Cy. for the fiscal year 1921-22. And you are also authorized to draw under President Stuart's direction a sum not to exceed \$1000 G for adjustments in the salary of Dr. T. T. Lew. Please note that this latter amount is not guaranteed two for one. The gift for this purpose is \$1000 and there is no way in which we can make good on any loss of exchange which might occur.

Your financial report has been before the Finance Committee and consideration has been given to some of the items in it. May I express in behalf of the Finance Committee appreciation of the care which you have given to these accounts and our hope that as we work on a little further we may develop methods and forms that would be regarded as ideal for a mission University. I believe that we can do so with the co-operation which exists between the field and the home base. As soon as I can get the opportunity I wish to go into some of these matters more in detail, but so many immediate practical matters keep coming up with regard to Peking business that I am not always free to carry on that part of the program as I should like to do.

There is one matter appearing in your Treasurer's report to which the Finance and the Executive Committees have given consideration and the latter Committee has taken action. On the second page of your financial statement under the heading "Rental Account" appear three items, "Income shared to

American Board	\$ 58.90 "
Methodist Mission	2502.85
Presbyterian Board	117.80

When Mr. Gibb was here I asked him just exactly what this meant and I have also examined your letter of July 25, 1918 to Dr. Jones covering the explanation of this item as it appeared in the Treasurer's report

0917

for June 30, 1918. ^{was} As we understand it, it is the judgment of the Board of Managers that somehow the advantages and disadvantages accruing to the Missions for have ^{not} paid or not paid the allotment to capital should be counterbalanced by some adjustments on the books.. This has been done by crediting to each Mission a share of the income received from the property, that share being determined by the ratio of the payments made by any of the Missions in excess of the payments made by the Mission having paid the least (if this is not clear to you, it is intended to mean what you said in your letter of July 25th, 1918!) As we understand it these credits have been used by releasing the Missions from paying rent (to the extent of ^{the} credit) for those members of the Mission who were resident in houses on University property, or for scholarships at the disposal of the Mission.

This procedure seems to us to have the effect, not of penalizing the Boards and Missions which were behind in payments of capital, but of penalizing the Trustees and the University, for the University is deprived of the income from its property which is otherwise would receive and to make up the loss of that income the Trustees are forced to raise additional sums for carrying on the work of the University. Or to put it in another way, the effect is as if the Trustees did not hold title and had never received from the Missions the property upon which that pro rata of rent was received. For example, on the balance sheet for June 30, 1921 it would appear that, a credit of \$117.80 to the Presbyterian Mission, being set up on the books, that Mission is relieved of paying the rent which it otherwise would pay up to that sum for one of its members of the Faculty in a University residence.

It is clear from previous balance sheets that the sum involved is fairly large. I confess that I cannot see it in any other way than that the University has been deprived of the capital funds or the income therefrom which was intended for the purposes of the University. Or to put it in another way, that the Missions are receiving income from the property of the University.

The action of the Executive Committee of the Trustees is as follows:

E. 1198 VOTED: That the Executive Committee believes that the entire income from rentals of University property should be used for the University itself and that no part should be credited for rental charges to the Missions for rents of their members on the Faculty or for any other purposes except as approved by the Trustees, and that some re-adjustments should be made in the case of past payments, and requests the Board of Managers to examine their policy in this matter and report on it.

The Executive Committee did not think that it was desirable to request the Managers at once to reverse their position on the matter, believing that the original policy of the Managers had been taken in ⁱⁿ good faith and that we needed further light here as to the judgment of the Managers upon this case. They, however, felt clear that it was a matter upon which some re-adjustment should be made, not only for the future but with reference to the past. There was a suggestion that the back credit should be adjusted by splitting the difference with the Missions, not asking them to pay the entire amount of credit which they

have received to date, but only half of the amount. They did not feel prepared, however, to fix an adjustment and desired recommendations from the field on that matter. I realize that there may have been situations in earlier days which made it difficult to estimate a type of adjustment for purposes of equalization, but it seems to us so clear that the University is being deprived of what properly belongs to it that we urge the serious consideration of this matter.

One method by which this might have been handled would have been to charge interest against the Missions which were behind in capital payments. This would have been a genuine penalty upon those which were behind, which it seems the other has not been.

We would appreciate it greatly if, in sending forward the results of the consideration of this question and any comments of the Managers you would also send a complete statement of the total sums involved for each of the Missions each year. I am not certain that I can accurately work this out from your balance sheets. The statement which we would need should show, I think, for each year the basis upon which the proportion was calculated and the amount credited to each Mission and the charges recorded against that credit.

The suggestion was made at the meeting that ^athe Mission could not properly be penalized for the amount that it was behind the Mission which had made the largest capital payment, when that capital payment was far above what the first Mission had contracted to pay. In other words the calculations from this point of view should have been based, not upon the total capital payments by each Mission, but upon the capital payments in relation to the fixed and agreed sum of 250,000 C from each Mission.

With hearty good wishes, I am,

Cordially yours,

EMN
CRM

December 7th,
1921.

The Rev. O. J. Krause,
Peking, North China.

Dear Brother Krause:

For some time I have been wanting to get a letter off to you on your Budget for this year and clear up last year, but with the closing the matter has been delayed. I am this morning, however, sending you two statements; one showing the standing of our books, and the other the way I have charged up amounts to your Budget on the field. I realize that I must send you better statements on your Budget account, so that you will know just what there is in the account. I shall try to do this at least bi-monthly.

I will take up the books first, and the statements will be arranged about as you arranged it before leaving here. It perhaps will be clearer to you in that way. You will notice I have shown the Property account balance as of December 1, 1921 and that I have set up the Property item under different headings, simply for convenience. The first figure represents the amounts I have charged as being invested in Property on the field. The 'New Site', of course, is a part of that same thing, being set aside simply to designate it.

I have no doubt but that the \$16,828.86 under Architect Expense should be included in the first item of \$259,850.36. I, however, will keep it separate until you have stated that you have included the Architect Expense in your Property account.

'Equipment' then explains itself. I hardly think that the \$8,220.39 under Science Equipment should stand as an entire Capital account. I think there is no doubt but that some of this was for supplies. In any case, this should be depreciated. If you can give any suggestions I should be glad to have it.

You will note that of the \$50,000. Endowment Fund, we, through Mr. McBrier's shrewdness, were

0920

The Rev. O. J. Krause:-

able to invest \$49,996.75 in good bonds. The percent of interest will average us between 7 & 8; I think a little better than 7½%.

The \$100. charged to you as Treasurer is the item that you entered in Suspense to be collected from the Presbyterian Board. For some reason I have never been able to get exact trace of this, and I am, therefore, leaving it in this account as I think it is a part of the Property item. In this I may be wrong.

The credits explain themselves, and need no comment except the \$2,466.60. This is simply the overdraft on the credit account. In fact it is the balance between the Property account and the Current accounts, as you will see by the items listed under 'Other Sources'.

I think the Current accounts will explain themselves largely. You will notice the standing of the Boards' as to how they are paid up. Also that we have had to borrow \$21,500. from the Bank. 'Other Sources' means the amount that will have to be secured outside of the appropriation from the Boards. 'Campaign Receipts' indicates receipts that have been secured from the Campaign since the last adjustment of the books, July 1st. These receipts are applied against the expenditures under Campaign Expense, Salaries, Rent, etc.

Now as to your Budget for 1920-21: I have tried to show the drafts as you have drawn them to cover your Budget of \$35,430. Mex. I then have had to include the outgoing expenses of Hilda Hague which was not properly reported to you. This will show that on the Budget for last year you had \$36,830 Mex. which cost us \$20,947.67 instead of \$20,247.67. We are carrying the \$700. down to your account for this year. In the amounts shown under your Budget for 1921-22 I do not have the Mexican amounts on all the drafts. I, therefore, have simply entered them as Gold which will be charged against you at 2 to 1, or as they stand would show that you have had \$21,251.58 Mex. on your Budget this year of only \$32,000 Mex. As I understand your Budget is \$16,000. Gold guaranteed at 2 to 1 with the additional provision of \$1,000. as a gift from Dr. H. S. Coffin for the Theological School which is not to be paid at 2 to 1.

You will then notice that I have charged against your Budget three (3) items of supplies which you have not on your books. I am sending you the itemized bills to cover these. I have also charged your account with the outgoing of C. G. Ruby \$900. which he is to account to you, as well as the \$700. mentioned above for which Miss Hague should account to you. I should be glad to have an early report from you on your Budget for 1921-22 showing the exact Mexican amounts you have drawn.

Dec. 7, 1921

The Rev. O. J. Krause:-

The loss on your 1920-21 account, of course, was entirely in the first half of the year, and that exchange was made up from this end to close up our books for December last year. In other words, we have settled loss in exchange with the Budget on all your drafts up to and including Draft #5 dated December 22, 1920. We then will have to adjust with the Budget this year beginning with Draft #6. You will see then that you should report the exchange on your drafts drawn since July. That will keep us in exact agreement.

With kind regards,

OJM
G B
Enc.

0922

京大學

TRANSFER

PEKING UNIVERSITY
PEKING, CHINA.

PEKING

January 17, 1922.

Mr. O. J. Morris,
150 Fifth Avenue,
New York City.

Dear Mr. Morris:

I have your letter dated December 7th relating to our University accounts. I have examined the statement showing the amounts charged on current account for the years 1920-21 and 1921-22. I note that one of the items in your statement for 1920-21 failed to get into my accounts for that year, so that your books show us overdrawn on the current budget for that school year. I am taking care of the item in the 1921-22 budget as far as it concerns remittances from the Trustees. I am, however, placing the item in my University general account to be cared for by the balance carried forward from my 1920-21 account. I refer, of course, to the item of G.\$700 on account of the outcoming of Hilda Hague. This plan of handling the item will not cut into our current budget for the year 1921-22, as far as actual expenditure from the budget of 1921-22 is concerned. I have examined in detail the items in the statement of items charged against our 1921-22 current budget account, and am handling all of the items shown.

I am enclosing herewith a statement showing the amount to be accounted for in local currency on each of the items in your statement, adding to this statement my draft No. 7 dated December 8, 1921, so as to bring the matter of exchange up to the end of 1921. I have added to the items shown under the 1921-22 budget account the total of the drafts Nos. 6 to 11 for the period January to June, 1921, so as to make a complete statement for the year 1921 as regards exchange. The completed statement shows a net loss in exchange of G.\$490.37 for the current year 1921.

I will call your attention to the fact that in your statement for the current budget account for 1920-21 you have already shown an item for net loss in exchange. If at your end any adjustment for the school year 1920-21 has been made on the basis of that net loss in exchange, the net gain in exchange on drafts Nos. 6 to 11 should figure on the statement for the calendar year 1921. I simply speak of this so you may have this in mind when arranging the adjustment with the Boards for the calendar year 1921 on our University exchange. I am pleased to receive your word that a statement of items charged against our current budget accounts will be mailed to us bi-monthly.

The statement submitted herewith shows that we have received in all from the Board of Trustees a total of \$23,526.67 Mex. on our budget of \$32,000.00, which means there is due us only a matter of a little less than \$8,500.00 to finish the appropriations for the year. This shows an excessive

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京大學

PEKING UNIVERSITY

PEKING, CHINA.

C.J.M.

Jan. 17, 1922.

draft on our appropriations for the current six months. The excess, however, is due to charging several items to our account without my knowledge. I shall plan to draw on the Board only to the extent of the appropriations for the current school year. Our accounts in the University are running well within the budget as revised and sent home a little while ago.

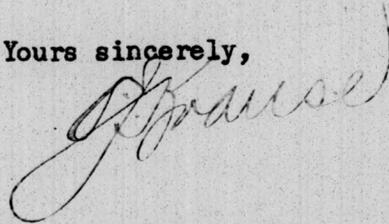
In regard to your statement of balances in property and current account, I hope to take a little more time later on to go into those, and shall report to you any remarks I may have to make on the same.

While I am writing it occurs to me to speak of the item of which you speak in your letter of December 7th - the one of \$100.00 charged to me as Treasurer of the Board of Managers in the property account balances. I hardly know what to tell you to do with the item, but it is certainly true it should not be charged against us here on the field. As shown in my notes when writing up the accounts, this \$100^{was} written up in the statement from the Presbyterian Board to our Treasurer as sent to him, ^{but} seems never to have reached ^{our} the Treasurer in New York. When I went to their Office to ask the accountant to look up the item, taking with me their own statement, some little time was taken while I was there to find the proper voucher for this \$100, but it was impossible to find that such a check had been sent to the Treasurer, Mr. McBrier. Therefore, it seemed the only thing to do was to write it in the Suspense Account, with the hope of locating the item later.

Either the \$100 should be charged to the Cash Account of Treasurer McBrier or against the Presbyterian Board. In other words, if the statement received by Treasurer McBrier from the Presbyterian Board is correct, then the \$100 belongs to the Cash Account. If however, it is impossible for the Treasurer of the Presbyterian Board to show he ever sent such a check to Treasurer McBrier, it seems to me clearly up to them to send a check to cover the \$100 to make their statement complete. From this it should be clear to you that this amount has nothing whatever to do with Field Accounts. My note on page 3 of the journal left with you I find is not specific as relating to the item of \$100. The note "subject to verification of the Treasurer of the Board of Managers to ascertain whether any of these items were paid to the Shanghai Treasurer of the Presbyterian Board" had reference to the items of outgoing of Dr. and Mrs. Wolferz, and the reason for the note was the fact that I was under the impression we had reimbursed the Treasurer of the Presbyterian Mission at Shanghai for Dr. Wolferz' outcoming. I am therefore passing this \$100 item back to you for readjustment, since I will hardly know what to do with an item of \$200.00 Mex. from our present limited budget.

With best wishes, I am,

Yours sincerely,



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1763957

0925

京大學

PEKING UNIVERSITY
PEKING, CHINA.

STATEMENT SHOWING GAIN AND LOSS IN EXCHANGE FOR THE CURRENT YEAR 1921.

		Mex.	Loss
A. H. Thomas, a/c Equipment	\$ 542.38 @2	\$ 1084.76 ✓	\$ -
Draft #1 - July 9, 1921	68.00 "	136.00 ✓	-
" 2 " "	50.00 "	100.00 ✓	-
" 3 " 13 "	1000.00 "	2000.00 ✓	-
Sept. 1 - Supplies for E.O.Wilson	36.55 "	73.10 ✓	-
" 1 - " " "	12.49 "	24.98 ✓	-
" 5 " " C.G.Ruby	75.00 "	150.00 ✓	-
Draft #3 - August 31, 1921	3500.00 "	7000.00 ✓	-
Oct. 20 - Supplies for J.McG.Gibb	11.45 @1805	20.67	2.23
Draft #5 - (Part only)	1729.92 @169	2923.56 ✓	536.28
" 6 October 31, 1921	2000.00 @1735	3470.00 ✓	530.00
Outgoing of C. G. Ruby	900.00 @1805	1624.50	175.50
" " Hilda Hague (carried down)	700.00 @2	1400.00 ✓	-
Draft #7 - December 8, 1921	2000.00 @175955	3519.10 ✓	480.90
Total amt. chargeable to 1921-2 Bgt.	12625.79	23526.67	1724.91 Loss
Drafts #6/11 Jan.to June,1921, inclusive	8447.67	17639.51	744.27 Gain
Total of drafts and accounts for current year 1921	21073.46	41166.16	980.64 Net Loss
Mex. \$41166.18 @ 2 to 1 equals	G.\$20583.09		
Making Net Loss Exchange	G. 490.37	which @2 to 1 equals	980.64

J. H. ...

NORTH CHINA MISSION OF THE METHODIST EPISCOPAL CHURCH

FOREIGN MISSIONS AND C. I. M. CODES
CABLE ADDRESS: "KRAUSE PEKING"
TELEPHONE 1756 E.

TREASURER'S OFFICE, PEKING

TRANSFER

January 19, 1922.

PEKING

Rev. Eric M. North, D. D.,
New York City.

Dear Dr. North:

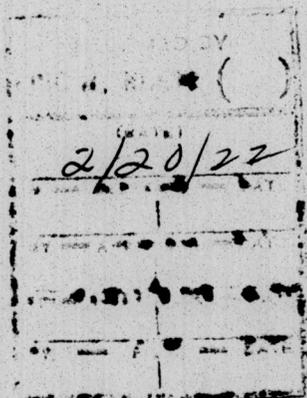
Your letter of November 25th came to hand a few days ago. In it you ask for a statement of the exchange account for the calendar year 1921, and call my attention to the fact that I have not followed my suggested plan of indicating on the draft the amount received in local currency. I find I have to acknowledge this omission has occurred in the last several drafts. The omission was due principally to the fact of hurry in getting the transactions through the banks here and failing to note the amount received on the drafts on this account.

I have just had a letter from Mr. Morris giving me a statement of his entries into our budgets for 1920-21 and also for 1921-22. I have used the statement for a basis as showing the loss in exchange for the calendar year 1921. Enclosed I am sending you a copy of my letter to him and the statement, which will show the data you wish in regard to the exchange item.

Your letter dated November 14th has also been received. In it you suggest making the drafts three or five days sight, rather than sight. In trying to arrange with the banks here for three days or five days sight they preferred to have them made two days rather than three to five, because of the fact as they stated that three days sight also allows a grace of from two to three days more, which would make some difference in the quotation of rates, if that should be the case. I shall try to remember to make the drafts hereafter read "three days sight", and shall try at the same time to secure the same rate as for sight drafts, if possible.

Yours very sincerely,

J. Krause



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燕京大學

PEKING UNIVERSITY

PEKING, CHINA.

January 20, 1922.

TRUSTEES OF
PEKING UNIVERSITY

Rev. Eric M. North, D. D.,

New York City.

Dear Dr. North:

I have your letter dated November 12th, in which you report the amount available for our budget for the year 1921-22, saying that it should not exceed \$32,000 local currency, and that there is also an additional amount of G.\$1,000 at current rate to be drawn for the salary of Dr. T. T. Liu.

In reference to the items on my report shown distributed to the several Missions on account of rental income, I will say that your statement of the matter is correct. At the time of forming the union the great divergence of amounts invested in the property was felt by all concerned to be contrary to the basis on which the union was effected. In order to secure some measure of equality the Board of Managers took action at the very beginning, ordering the division of all income from rentals among those participating pro rata to the amounts invested, and division of the expenses equally between the four Missions co-operating, and leaving to the several Missions any surplus over and above such share in the expenses for use of the Missions to cover rentals on property located in the University section, students fees and such other items as the individual Missions chose to cover with the surplus funds.

Early after the union was formed and after it was decided by the Trustees that G.\$50,000 should be the unit of participation, there was a feeling on the part of some of the Methodist Mission that all property up to the amount of excess investment over the G.\$50,000 should be withdrawn from the union control, and retained by the Methodist Mission. Others, however, felt this would not be easy to do, nor could a fair basis of withdrawals be arrived at. The original plan of the Board of Managers was felt to be the simplest and best method of accomplishing what all felt should be accomplished, i.e. an equal participation in the financial distribution of the institution.

Later, in order to effect a still simpler form of equalization, it was ordered to change to the present method of division. This is to take the lowest amount of capital invested by any of the co-operating bodies as the unit of actual participation, and allocating the rental income pro rata to the amounts contributed in excess of this unit to the various Missions; first of all, however, allocating to the University its share based on the total of all four units thus arrived at.

I note your remark that this has "the effect, not of penalizing the Boards and Missions which were behind in payments of capital, but of penalizing the Trustees and the University". This looks to be true, but when it is remembered that the Trustees fixed the unit of participation at G.\$50,000, it is hardly reasonable to penalize the bodies or Missions for not sharing beyond that amount; and from this angle the only way of equalizing matters is to do just

0928

Dr. E.M.N.

1-20-22.

what the Board of Managers ordered done and what it has been understood all along had the full sanction of the Trustees. Emphasis has always on all sides been placed on the fact that the four Missions were going into this union on an equal financial basis. Only on such a basis could the consent of the Missions have been gained to unite. The Board of Managers in its action has simply put into effect this fundamental principle.

Since the action of the Board of Managers seemed to have the sanction of the Trustees all along, and since each Annual Report has shown pretty clearly what has been done, it would seem unjust to say the least, to insist on the Missions refunding even a part of the income for rentals thus shared in the past.

Your suggestion that interest might have been charged against those Missions which were behind in capital payments is noted. Charging interest in this way would have been a very simple matter, but the practical matter of exacting payment would have been impossible, if I understand matters of the union as it has had to be worked out in North China. Besides, the objection you name in your last paragraph brings out a point I have already mentioned. It simply brings us back therefore to the method in vogue, if there is to be anything like fair treatment on the basis of equal financial responsibility in our co-operation.

From the fact that so far G.\$50,000 is the proposed unit of co-operation, and most of the Boards have acted on that basis, the question of whether the Trustees are entitled to the income of rentals on any other basis than at present in force is a fair one to raise. I understand this ^{matter} has been taken up in a letter with President Stuart, and that it will have the consideration of the Board of Managers in due course. Having regard for the true interests of both Missions and University, and having handled the matter from the beginning, the above expresses my own judgment.

As soon as it is possible I shall make up a statement of the rental credits to the several Missions, to be submitted with the action of the Board of Managers when taken.

Very sincerely yours,

J. Prause



0929

PEKING

TRANSFER

*Trustees
Peking*

March 6, 1922

Mr. O. J. Krause,
Peking University,
Peking, China.

My dear Mr. Krause:

In order for the Trustees of Peking University to arrive at a definite settlement with the Methodist Board concerning the sale to the Methodist Board of the old site, it will be necessary to furnish evidence to show how the figures for the value given to the property are arrived at. I have gone over the statement attached to your balance sheet of June, 1921, showing the cost of the city properties in local currency as shown in your ledger. I have been able, after some difficulty, to check this up with the balance sheets and financial statement for preceding years and some items I was unable to straighten out until Mr. Gibb arrived.

The following items stand as in a certain sense unexplained as far as the annual statement of property expenditures, which you sent forward with your balance sheet, is concerned. In September, 1926, statement, property No. 2 was listed at \$4,012.27 local currency. In May, 1919, there appears in your statement of property account on page 3 of the financial statement, theological buildings \$2,472.88. Reconciled memorandum indicates that this relates to equipment and to property No. 2. I have accordingly, in making my calculations deducted from the figure just given, \$588.50 as representing the equipment item. The balance, \$1884.58 completing the total amount paid on property No. 2, - namely, \$5,896.85 as appearing on your list of properties for June, 1921.

The second item is in connection with property No. 16. The following is the list of payments which I find in your annual statement of property account to have been paid:

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September, 1916.....	\$15,463.37
May, 1919.....	15,298.88
June, 1920.....	183.18
June, 1921.....	477.68

\$32,423.11

This is in excess of the cost of the property as given on your property list of June, 1921, - namely, \$32,168.53 - by \$1,254.58. Can you indicate for my record here for what purpose that \$1,254.58 was spent? I presume it was for equipment but in order to make my figures tally in presenting the statement to the Methodist Board, I ought to know what to do with that amount.

With the exception of these two items, I am able to make the property list, as based on your property statement, agree with the list of June, 1921, - namely, \$384,807.52.

When it comes to giving a clear account as to what this represents in gold and how the figures are arrived at, I am, as far as I can see, at an impossible situation, which only you can elucidate. I take it that the thing we ought to be able to do is to present a statement showing by items the amounts received by the Trustees for property in gold, the amounts received by the Managers in gold, the amounts realized on the gold received by the Managers in local currency, and the amounts expended on property in local currency, having each item tally with entries appearing on your books or in your balance sheet (which is all we can show of your books here) and be able to show in addition that no items appear on your books or on our or in the balance sheets which ought to be deducted from the statement of the amount expended upon property. I enclose herewith a statement worked up as far as I have been able to work it up, giving these items. Let me comment on it:

Line 5. is of course perfectly clear, being the original investment showing on your balance sheet of September, 1916.
Line 13, column 2 and 4, are in agreement with your figures in the fourth line of your analysis of funds invested in the city site, attached to your balance sheet of April, 1921, page 5. There is, however, a puzzle at one point here - lines 9 and 10, column 2 appear in your property account receipts and disbursements for May, 1917, to the amount given; why line 8 should not be an even \$40,000 instead of \$39,969.21, I do not understand. Can you throw any light upon it?

From line 13 on, I am entirely unable to make the thing come out in agreement with the figures given in your analysis of funds invested in the city site, page 5, of your

balance sheet of April, 1921. The amount realized in local currency, with the exception of lines 16 and 20, are I think taken in each case from letters from you. The item in line 16 probably duplicates other items in the same column and is taken from the first page of your balance sheet for June, 1920. With this exception the items marked "K" in column 3 and 4 come from the receipts and disbursements sections of the property accounts as attached to the various balance sheets. I do not think that the analysis of funds by Missions helps us very much in this particular instance for that also is an analysis made on the basis of funds invested in the University by the Board and does not necessarily follow definitely the property items.

With this statement I think there should go a memorandum referring to the various items in your receipts and disbursements, property account, in the various balance sheets where there are items which are not receipts from the Trustees or from the Missions, or expenditures from actual property purchases. For example, on the balance sheet of May 25, 1917, there appear under receipts the items of loans and bank overdrafts, and under disbursements - loans repaid, Presbyterian Mission interest and balance on hand. We should be able to show that the various loans and overdrafts have been paid off. I do not quite understand what the interest item is. Again in the balance sheet for June 30, 1918, there is a bank overdraft, and exchange losses, and loans repaid. I am wondering whether the exchange losses referred to here serve to reduce the local currency realized on lines 9 and 10 in the statement I enclose, down so that the total on line 13 of column 3 is approximately the same as the total of column 4 on the same line. As I have been dictating, the calculation I have just made shows that if the total of column 3, line 13, be diminished by exchange losses of \$3,558.67 and \$6,445.67 shown in the statement of June, 1918, plus the interest of the Presbyterian Mission; \$719.29 on the balance sheet of May, 1917, plus the balance on property account not specifically stated in your balance sheet of June, 1918, amounting to \$48.50, the result will be the figure found in line 13, column 4. I can see why the exchange losses may have occurred on the drafts deposited with the bank and in the treasurer's hands as per your balance sheet of May, 1917; just why the Presbyterian Mission should receive interest which should be deducted from this item is not quite clear.

I note that your balance sheet of May, 1919, in connection with the receipts and disbursements on property account, does not contain balance which should be carried forward, \$48.40 from your balance sheet of June, 1918. I should like to add an explanatory note at the proper point, showing where this has been included with some other item, - if you can tell me where to do it.

0932

582.28

In the balance sheet for June, 1920, on the first page, appears ~~\$5582.28~~ as a credit of the London Missionary Society on property account. In the statement as to receipts and disbursements on property account on page 3 of that statement, the L.M.S. property funds appear to be \$42,868.35.

JL In the balance sheet for June, 1921, several receipts appear with both the gold and the local currency equivalent stated. I have included under June, 1921, of my arrangement enough of these items to carry the gold figures well above the figures which you indicate to be the total gold book value of the property at the old site. It does not matter how much these run above in their local currency equivalent the amount expended for property in local currency at the old site so long as we can show that there was a gold balance forward in the property account which went for the new site - in other words, we should be able to show on the form which I have drawn up, the total gold receipts of the Managers for property, the total amount realized in local currency and the total amount expended on the property at the old site and at the new site, with whatever balance forward, stated.

I can not be quite certain how far the property figures which you have quote, include any movable equipment which we would be likely to transfer to the old site or any equipment newly put in at the expense of this property account from which some deduction for depreciation should be made when the property is transferred to the Methodist Board. I would appreciate it if you could locate any such items, showing in connection with what items of your record, as we have it here, they occur; what the nature of the items is; and whether depreciation should be calculated upon them. Should a certain amount of depreciation be charged against buildings and against alterations?

I realize that this is a rather tangled matter though I have no doubt that you have the figures in your ledger and in your own statements that will enable you to disentangle it easily; but I believe that it is a very important matter and at the present time it is upon this that the completion of the arrangements for the sale of the old site, with the exact determination of the terms and times of payment and so on, depends. I hope you will be able to send forward this statement with any other information which we should have for the completion of this matter at an early date. It will be greatly appreciated.

Faithfully yours,

ELN
JL

Secretary

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燕京大學

INDEXED

PEKING UNIVERSITY

PEKING, CHINA.

TRANSFER

April 22, 1922

PEKING

Mr. O. J. Morris,

New York City.

My dear Friend Morris:

Yours of February 1st was received several days ago. My letter of January 17th crossed yours. With my letter was sent a statement showing the net loss on exchange for the calendar year 1921, and in your letter you send a statement also showing this item. I note we differ by \$80.00, owing to the fact that your statement omits some items that were handled in 1921 which are included in my statement.

It is interesting also to note that our method of arriving at the net loss in exchange is different. It gave me a bit of a shock when I discovered this, and I wondered which method was the correct one. So far as I see it, my way is the correct one. This I believe will be shown by the following remarks:

It is not a case of your delivering to us here G.\$18,795.59 (your statement), but you have delivered to us \$36,788.17 Mex., which cost you to deliver \$18,795.59; at a par of two-to-one it should have cost you only \$18,394.09. The difference, \$401.50, is what it has cost you to get the \$36,788.17 to the field, as compared with a two-to-one basis. Or, in other words, you have not actually delivered \$37,591.18 to us, as it would seem from your method you should.

It is interesting further to note that in the present instance there is only a small difference (\$8.77) between the two methods.

In referring to the two property statements you send, I would say that to me your statement No. 2 is preferable, except that the Methodist capital should not be reduced - it should be held in the original figure as in statement I. Of course, as to whether the Methodist capital is reduced to \$50,000, the present participating unit, this is a matter of adjustment when final arrangements for the city site are made. In my judgment it would be wise to have the Methodist Board maintain its capital at the old figure. The time cannot be so far off when all the Boards will need to increase their capital, unless some other method of handling the capital funds is decided on by the Trustees and the Boards. In case there is another method of handling property funds and it is the intention to hold the capital of the Boards to the present participating unit, G.\$50,000, then the adjustment as you indicate in statement II would seem to be necessary.

Notes on your Property Account Sheet 2.

1. Your statement reads "Period July 1, 1921 to June 30, 1922". Should this not be "July 1, 1920 to June 30, 1921"?

2. The \$2,500.00 assigned to New Site Account should be turned into the City Site Account. The furnace has been installed in the City Site Property and will remain there.

0934

O.J.M.

4-22-22

4. 3. Will you please give me the details making up the \$17,220.04 architect expenses in your statement, so I may bring my accounts into agreement with yours. Please show what items in my annual reports have entered into this amount and what from direct payments made in New York. *Has this been done*

5. 4. Your Science Equipment Account shows \$8,220.39. Please give the items so I can check with my accounts and bring mine into agreement with yours.

5. 5. The item of \$100.00 against the Treasurer of the Board of Managers I have already dealt with in my letter of January 17, 1922.

6. 6. In the Capital Account (a) your item for the A.B.C.F.M. is \$5,000.00 more than my account shows. Please give me the details and amount of funds entering into this account for the purpose of bringing my account into agreement with yours. (b) Your item for the Presbyterian Board Capital is \$12,000.00 less than my account. This comes about by my having received \$2,000 from the local Treasurer of the Presbyterian Mission to bring our Capital Account up to \$50,000, the cooperating unit. The Presbyterian Board had made the whole amount of \$50,000 available much earlier, but for some reason the fact was not made known to us of the University till about a year ago, when this balance of \$2,000 was paid over to us. Then in addition to this the local Treasurer of the Presbyterian Mission turned over a fund of G.\$10,000.00 to apply on Property Account. In your books the \$2,000 should be charged against the City Site and credited to the Presbyterian Board Capital. How to handle the \$10,000 item is somewhat of a puzzle. It would make the Presbyterian Capital Account in your books show more than the Presbyterian Board there would recognize as belonging strictly to their Capital Funds Accounts. It may, therefore, be best in your books to open a "Presbyterian Mission Special Fund for Property Account", and credit the \$10,000 to it, at the same time charging it against the New Site Account.

(necessary transfer 5002.10 of old site to new site)

7. I think your letter there should take account of the \$10,000 Ch'en gift on the New Site Account.

8. I will incorporate into our ledger the permanent funds shown in your balance sheet so as to bring our ledgers into agreement.

Referring to the Board of Managers appropriation sheet, my statements sent in letter of January 17th had every item save the last one on your present statement. This I have now incorporated into our accounts at two-to-one. Some of the other items on your sheet appear at two-to-one, while on my statement and in the accounts here they have taken the current rate as shown in my statement to you. This you will note makes a slight difference in the actual exchange loss for 1921.

Good but not for whole business

In view of the fact that we are attempting to keep full accounts as far as capital ledger is concerned at both ends of the line, it is necessary to come to some fairly definite arrangement as to methods of handling the accounts so that we may keep together. To do this it will be necessary to receive from you a monthly or bi-monthly statement similar to the monthly statements sent me by the Mission Board for our North China Mission accounts. It will differ from the Mission statements, however, because the University statement will include not merely items entering into the current budget accounts for the University, but it should include all receipts and payments for capital account as handled in New York. For such a statement all items handled at that end would then be

(over)

0935

Suggest 1. Definitely separate Corp. a/c books.
eliminate from Mgr books
Bond a/c's

2. Provision for 2 sep. statements
& then consolidated statement.

D.J.M.

4-22-22.

incorporated into the accounts here, and at the end of the school year the annual report from this end would cover the whole range of operations for the University. As it has been so far, the annual report has not taken account of any items handled at your end of the line.

Our Capital Accounts ledger ought to agree at certain definite periods, excepting that Cash and Loans Receivable and Loans Payable items appearing in your ledger would not appear in the field ledger. In the field ledger these would be covered under the general "Trustees Capital Funds" Account, which by its balance - debit or credit - would show the difference between the Cash and Loans Receivable and Loans Payable Accounts and other sundry accounts in your Capital or Property ledger.

We cannot, however, come into agreement by our present method. For one thing, I notice that you in your ledger are writing items into the New Site Account, apart from reports from the field. You were helpless to do otherwise so far, but a better way would be to hold all funds drawn on Property Account in an account against the Treasurer of the Board of Managers, until an account of actual expenditures for property is received. Such an account to be final and ready for entry into your Property Account could not very well be made until certain definite projects are completed. It would be necessary to make the report in the two currencies, so that each project or item is fixed when the report is sent. *

For example, it can easily happen that several projects are under way at the same time. A draft may be drawn ostensibly for one certain definite project, but the funds obtained therefrom may or may not be just exactly sufficient. They may even be used to cover a number of projects for the time being. It would be better to draw funds for Property Account as authorized, and complete the several projects one by one, and at the end of completion of some unit of projects, the average between Gold and Mexican could be worked out and used in reducing the cost of projects into gold. I have in mind, of course, that in the matter of funds for a cooperating section of the University like the Woman's College, their gold and local currency funds ~~could~~ be kept separate from the general University funds, but in the treatment of their property projects follow the same treatment as suggested in finally writing up the various items in the building operations.

Of course, statements would be rendered periodically in local currency as the work on buildings progressed, to give to the Trustees up-to-date information as to expenditures, but no entries could be made from such periodical statements into the Trustees' ledger to any advantage. These statements would serve as a check on the amounts charged against the Treasurer for the Property Account. Entries into the permanent accounts, as already stated, should not be made until the completion of the various projects and the amounts expended on them are reported from the field.

Turning now to the current accounts side of our respective ledgers, I would say that there cannot be any agreement in our current accounts ledger. The accounts in each case serve a different end, and the names of accounts in each case would be different.

So much in an endeavor to come more nearly together in our viewpoint of handling the various accounts. I do not wish to insist upon any particular method, but it is very essential if the accounts are to parallel each other to find some agreed upon method of working together.

Very sincerely yours,

J. Franse

0937

燕京大學

PEKING UNIVERSITY
PEKING, CHINA.

PEKING

April 22, 1922.

INDEXED

TRANSFER

Rev. Eric M. North, D. D.,
New York City.

Dear Doctor North:

Yours of March 6th was received a few days ago. An earlier letter relating to accounts with statements was received from Mr. Morris. I had therefore been working on a statement that would show both gold and Mexican currency for our city site when your letter arrived. I have now completed several statements in an endeavor to make all items clear in both currencies. Before referring to my statements I will answer the questions in your letter.

(1) Re Property No. 2 - \$5,896.85 is the correct figure. The \$588.30 was for movable equipment and was taken out of the property account.

(2) Property No. 16 - the \$1,254.58 you ask about was also for movable equipment such as desks, chairs, tables, etc.

(3) Replying to your inquiry relating to items in your statement -

- a. Line 8 represents disbursements for property to the date when writing up accounts. There was then a balance of G.\$30.79 on hand, which brings the amount up to an even \$40,000. ✓
- b. Line 9, column 3 - \$43,593.53 - should be reduced as per note at the end of your statement, for the reasons given there.
- c. Line 10, column 3 - \$30,000 - this also should be reduced as per your note at the end of statement and for the reason given. Both of these items I have tried to set forth clearly in my statement "I", lines 2 and 3.
- d. Line 16, column 3 - \$55,082.28 is a total and a duplicate of the amounts shown on lines 17, 21 and 23 in column 3, except that the amount in line 23 should be \$27,125.00. If your amount was taken from a letter sent you an error must have been made in writing about the sale of the draft in question.
- e. Lines 24, 25 and 26 are all receipts on new site account and should not be figured on the city site account.
- f. Line 26 - the amount shown in column 3 should read \$15,597.70, which is the actual amount realized

0938

from this G.\$10,000. I note that the amount you show is just one-half of the amount shown in my balance sheet covering G.\$20,000; but as different drafts are involved in the total of G.\$20,000, the correct figure should be noted in connection with this particular G.\$10,000. You will find that the two amounts shown in lines 10 and 11 of my statement "I" make the amount just stated, i.e. \$15,597.70.

Referring now to the statements herewith:

STATEMENT I.

This statement gives a summary of all receipts for property and equipment, following somewhat the plan of your own statement, except that in column 1 of mine I read "Received per Trustees", meaning thereby that the funds noted in this column were received from the Trustees.

Column 2 shows receipts from all sources in Gold. Column 3 gives the amounts realized in local currency. Column 4 refers to the lines in your statement where the same items appear. The following notations will help to clarify the various amounts shown.

Line 4 shows the same figures as line 13 in your statement, after the corrections mentioned above are made in your figures. Lines 5, 6, 7, 8, 9, 10, and 11 are so clearly linked with reports in your hands and your statement that no comment is needed.

Line 12, G.\$10,000 equalling \$18,814.50. This represents a fund turned over by the Presbyterian Mission for property. The amount was turned over in gold currency drafts and realized the amount shown.

Line 13 ^{\$2,000} represents permanent improvements and additions to the city site from current appropriations of the University. Lines 14 - the source of these amounts is shown in statement IV. From this amount transfers will need to be made in my accounts to bring the various capital amounts into agreement with the accounts of the Trustees. Statement V shows that we differ in two of the capital accounts. Line 15 represents funds received from the Yen-ching Woman's College locally for property account. Line 16 represents the gift of the Ch'en family as per agreement in the purchase of the main plot on the new site.

STATEMENT II.

On this statement part "A" shows the expenditures for the city site as shown in the several annual reports sent to your Office. The items are also found in your statement. With the details already in your hands I believe no further comment is needed for a clear understanding of this section of the report.

Part "B". This gives the total amount expended for the new site as shown in my balance sheet of June, 1921. No endeavor to give details is made at this time, as the main quest now is to clarify the city site details.

Part "C". This section gives the several items shown in reports

,for equipment involved in the funds received from the Trustees.

STATEMENT III.

This is a summary of funds received. Here are shown the amounts received from the Board of Trustees and other sources and where these funds were used. The statement follows my treatment of the same matter in the report for May, 1921. It has helped to check the other statements.

Line 15 shows the balance still due on the city site properties. This \$11,475.04 local currency, at an arbitrary average rate fixed in my former statement, is G.\$7,455.77. Naturally the gold item will vary according to the current rate of exchange at the time payment is effected. This deficit is covered almost entirely by bank overdraft, as will be seen from the balance sheet of June, 1921.

The occasion of this deficit may be said to be due to two causes: (1) When it was finally decided to move to the new place there were outstanding obligations on the city site amounting to \$10,450.04, for which no funds have been made directly available by the Trustees. (2) The erection of a residence for President Stuart costing \$10,447.16. These two items created a total deficit of over \$20,000. In the meantime the funds locally turned over by the Presbyterian Mission and a part of those from the Board account London Missionary Society capital have been applied to these items. They were not sufficient, however, to clear the entire deficit. No funds authorized for the new site have been applied to the city site accounts.

In this connection, may I ask again for authorization to carry an overdraft at the bank for \$12,000 local currency to cover the deficit in question until arrangements for its clearing are made. The bank is ready to continue this accommodation, but the Home Office has been insisting on our bank here obtaining from us authorization from our Trustees. It will prove the simplest way of handling this deficit and the cheapest in the long run. From time to time there will be funds for other accounts held in the bank account till needed, which reduces the interest item. If this authorization could reach me before the end of June it would relieve the strain here very considerably.

Part "A" of statement II indicates that the total local currency expended for the city site is \$384,807.32. No deductions are to be made for either (1) equipment, because all equipment included in the amounts given for the properties is permanent; (2) depreciation - (a) because we understand that the basis of transfer is to be the book or cost value of the properties; (b) because the appreciation in land values would doubtless more than offset any depreciation.

Statement III shows, as clearly as I believe the accounts can be made to show it, the gold equivalent of the cost of the city site; that is, \$232,759.26, barring of course the variation of the gold amount written opposite the deficit still to be adjusted.

STATEMENT IV.

This is prepared to show the receipts of all funds from the Board for the new site and equipment and the assignment of these funds to the several capital accounts. These assignments were made in accordance with letters or balance sheets received from your Office.

What bank

E.M.N. 4-22-22.

STATEMENT V.

This statement is a comparison between the capital accounts in the Trustees' ledger and those in the Mangers' ledger and in your own statement. It shows that an adjustment is necessary to bring the two ledgers into agreement. To make such a transfer I shall be guided by the balance sheet sent by the bookkeeper, Mr. Morris. The transfer will be from the account in my balance sheet called "Capital funds, account with Trustees". To bring my capital account for the Presbyterian Mission into agreement it may be best for me to open a separate account styled, "Presbyterian Mission Special Fund"; or, it may be thought just as well to incorporate the amount of variation in the "Presbyterian Board Capital Account" in the ledger of the Trustees, letting the amount remain in my "Presbyterian Mission Capital Account". In any case the amount of variation should find a place in the ledger of the Trustees.

In reference to your inquiry as to balances and loans and overdrafts appearing in the statements year by year, I would reply that these come and go automatically with each succeeding report. It is hardly necessary to work out a statement covering these, since adjustments are effected automatically year by year. There are now no loans outstanding. The bank overdraft is the only unmet liability, and this is shown in the annual statement for June, 1921 and will again appear in our statement for this coming June.

Referring again to the total expenditure for the city site, I would call attention to the fact that in line 14 of Statement 3, the amount is shown \$389,807.32, while on Statement 2, Part "A", the total appears as \$384,807.32. The difference is \$5,000.00, and is due to the installation of the extra furnace in property No. 122 in the city site. This amount therefore needs to be added to the amount shown in Part "A" of Statement 2 to bring it to date. This amount of \$5,000 in Statement 2 is treated under Section "C" in line 19. In Part "A" of Statement 2 I have endeavored to confine myself entirely to statements and reports already in your hands, for the sake of easy checking.

I hope these several statements will give clearly what facts are wanted in arriving at a settlement for the transfer of the city site to the Methodist Board of Foreign Missions.

Yours sincerely,

J. Krause

0941

TRUSTEES OF
PEKING UNIVERSITY

June 1, 1922

Mr. C. J. Krause,
Peking University,
Peking, China.

My dear Mr. Krause:

May I express my very hearty appreciation of the considerable labor which you have put upon the matter of the properties for Peking University? While I have not gone over the individual items, it is evident at once that it is just the thing which we have been wishing for and will be most satisfactory in arriving at a clear understanding with the Methodist Board.

May I presume upon your efforts one degree further with reference to two matters?

First, there is some interest on the part of the Executive Committee of the Methodist Board in the relation which the property now held by the University actually holds to the property now held by the Methodist Mission in its own compound and in the Academy. I have before me a blueprint diagram of the University property, prepared by Shattock and Huffey in May, 1917, on a scale of one inch to a hundred feet. Upon that we have been able to check off all the properties except the following, recorded in your list of properties of June, 1921: Nos. 15, 32, 96, 112, 123, 122, 127 and 128. We find no property with white shadings with any of those numbers, and in some cases no property in blue with any of those numbers. Can you by reference to property numbers on that sheet indicate to us the property items represented by these numbers?

0942

Second, how far has title to these properties actually been transferred to Peking University when the Methodist Mission turned over to the University some of these properties as representing its capital investment in the University? I wonder whether you could not specify properties by number, the ones in which the deed is in the name of the University and the ones in which the deed is at the present time in the name of the Methodist Mission.

Furthermore, on a chart here drawn by Adams and Noles, April, 1906, showing the compounds of Peking University of the Methodist Episcopal Mission and of the Woman's Foreign Missionary Society, there appears north of the main block of the Peking University property which contains in this case the buildings of the Academy, - that is to the north and somewhat to the East of Durbin Hall outside of the main compound, an irregular piece marked 'property of Peking University.' (507 acres). Am I correct in judging that this is now Academy or Mission property, and not University property?

Faithfully yours,

Secretary

EMM
JL

0943

燕京大學

PEKING UNIVERSITY

PEKING, CHINA.

June 5, 1922.

Rev. Eric M. North, D.D.,
New York City.


TRUSTEES OF
PEKING UNIVERSITY

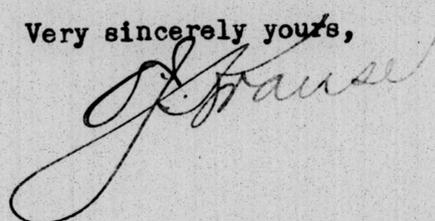
Dear Dr. North:

✓ I have your letter of April 25th. I am sending out notice to Mr. Bailey that the amount of G.\$200 is available for him on demand. Since receiving your cable through Dr. Miner I have not as yet been able to get in touch with Mr. Bailey.

✓ I am sending a check for \$100 to Dr. Lew covering the amount turned over by Dr. Fosdick for him. I am drawing on the Treasurer for the \$300 mentioned in your letter. I understand that these items are in addition to the regular budget of the University.

✓ I notice your suggestion that there is a misstatement in my letter of November 18th in regard to the expense account of Mr. Ruby. I have checked the item referred to and find that I should have said the amount of \$91.65 was due from him. The amount has been refunded to our accounts and the matter is all straight here.

Very sincerely yours,



RECEIVED	
ERIC M. NORTH	
DATE	7/6/22
TO	REFUSED
BY	ANSWERED
BY	PASSED TO FILE
BY	FILED

0944

June 16, 1922

Mr. O. J. Krause,
Peking University,
Peking, China.

My dear Mr. Krause:

This is to report to you that the Executive and Finance Committees of the Trustees in Joint Session took the following action:

(EF-1351) VOTED: That the Trustees authorize the Treasurer of the Board of Managers to carry an overdraft of \$12,000 local currency to cover deficit on the old site."

You will probably already have received this notification by cable, included in another cable to Mr. Tayler.

May I call your attention to the following action with reference to the Business School and to the Agricultural School.

(EF-1355) VOTED: That deficits incurred to June 30, 1922, on account of the salary of Mr. Chamberlain and the salary of Mr. Ruby, and the expenses of the Business School be reported to the Trustees; and that these deficits be carried against the respective Departments until such time as the income of the Department shall cover all expenses and these deficits, or until the Trustees shall otherwise order; and that the deficits from the salaries of Mr. Chamberlain and Mr. Ruby for the year 1922-23 be carried on income for vacancies reported or within the present budget of the University."

0945

This means that we want to have you report to us the deficit from these items and that we will then consider what steps can be taken to meet them, with the probability that when we hear what they are, we will find some way of seeing that President Stuart's personal funds are not imperilled in any way by them.

Faithfully yours,

Secretary

EMM
JL

0946

燕京大學

PEKING UNIVERSITY
PEKING, CHINA.

June 26, 1922.

Rev. Eric M. North, D.D.
New York City.


TRUSTEE
PEKING UNI

Dear Dr. North:

Your letter dated May 18th is received, in reply to my inquiry concerning the Burt Friant Loan Fund. I have obtained from Miss Hague the agreement in connection with this Fund and have made the proper entries in my ledger accounts for guidance in the future. I am drawing on the Treasurer for the \$25.00 due in 1921-2. As soon as Dr. Stuart returns he will no doubt find use for these funds and the additional \$25.00 due in 1922-3.

I wish to acknowledge receipt of your letter of May 12th reporting the sending of Mr. Trevor Arnett's book entitled "College and University Finance". The book has been received and I am reading it to secure from it the help it is desired to give in regard to our matters of finance and reports. I have not as yet been able to finish reading the book, or to select from its material those items that will be of most help in our work of accounting.

Our work of arranging accounts is not as simple as with institutions in America where the accounts are practically under the control of one head. In our case the endowment funds will doubtless be retained in America and invested, and the income received there, and will probably be a part of the appropriation made to our institution here by the Trustees; so that the details in regard to endowment funds will not be altogether clear to us here, but all we can do from this end is to report clearly on the transactions that actually take place on the field. I have written at some length to Mr. Morris, the bookkeeper, on this point of trying to get together on some sort of basis in the matter of making a complete report for our University.

0947

No doubt he has taken this matter up with you and others so that sooner or later a clear understanding will be had as to the matter of reports.

I appreciate very much the sending of this little book and shall make the very best possible use of its suggestions as time goes on.

Yours very sincerely,

J. Kause

RECEIVED BY	
ERIC M. NORTH ()	
(DATE)	
7/27/22	
BY _____ DATE _____	
BY _____ DATE _____	
BY _____ DATE _____	

0948

3
3
8
5
1
7
3

燕京大學

PEKING UNIVERSITY
PEKING, CHINA.

June 29, 1922.

TRUSTEES OF
PEKING UNIVERSITY

2

Rev. Eric M. North, D.D.,

New York City.

Dear Dr. North:

A few days ago you cabled reply to my request for permission to carry an overdraft at the International Bank up to \$12,000^{*unneeded.*} I have written to our banker saying that this permission had been cabled to us. One paragraph in his letter I wish to refer to you for attention at that end of the line, as follows:

"We presume that your New York office has made arrangement with our Head Office and that the necessary authority will be forwarded to us."

*Wrote
7/26/22*

Will you kindly arrange to give to the New York Office of the International Banking Corporation notice of the permission you are granting us.

Yours sincerely,

[Handwritten Signature]

RECEIVED BY	
DATE	7/25/22
BY	
PASSED TO FILE	
FILED	

July 17
1922

TRUSTEE
PEKING UNIVERSITY

Mr. O. J. Krause,
Peking University,
Peking, China.

My dear Mr. Krause:

I wish to report one or two items of adjustment in your very clear statement as to the amount received from various sources during the period of the union in Peking University for property account as enclosed in your letter of April 22.

Section 3, Summary of funds received, line 1, column 3, Gold receipts for the American Board are stated as \$49,500; this should be \$54,500 - so also, in section 5, comparison of capital account.

This will then reduce line 9 by \$5,000 and require corresponding adjustments in column 1, 2, 4, 5, 6, of line 1.

The figure you have for the capital received from the Woman's Board, line 6, section 3, namely \$3486.21 gold should read \$15,000 gold; columns 2 and 3 of line 9 should be reduced by \$11,531.79 with corresponding adjustment in columns 5 and 6. They have paid us here this amount, representing what we have had listed on our books here as 1/3 of the net cost of the new site, that is \$45,000 gold not including, of course, science equipment.

In my judgment, in future bookkeeping the items "science equipment" ought to be taken out of the accounts of the new site and handled separately as equipment though of course this should be included in capital funds.

I think that an inventory should be made on the field to show what of this amount is really capital and what is current for in the purchase of these supplies, no small amount was for chemicals which are used up from time to time and inventory made on the basis of this would show a loss in

0950

our capital account. I would therefore suggest that the materials which are really supplies be segregated out of this and handled in a stock account of some kind in connection with the current account and that only the more permanent equipment such as balances and so on be included in capital statements. I am hoping to write you more later concerning adjustments of our New York and Peking accounting on the line of the book by Mr. Arnett which I have sent you.

Faithfully yours,

Secretary

EGAN
JL

0951

August
Three
1922

Mr. O. J. Krause,
Peking University,
Peking, China.

My dear Mr. Krause:-

This is to report to you the status of certain salary accounts and other items for new people going out on the staff of the University.

1. Mr. and Mrs. L. M. Bocker.

Allowance for a single person has been paid to Miss Ashton up to August 22, 1922. I understand that this is the date on which they are to be married. From that time on Mr. Bocker should receive the salary and allowance of a married man in accordance with the University schedule.

2. Miss Marian P. Perrin

No advances have been made to Miss Perrin for any purpose. Her ticket, however, has been provided and paid for and will be charged against your budget. Our understanding with Miss Perrin is that the University will be responsible only for 1/5 of her travel. You will have this in mind in settling her Travel Account, in which, of course, her ticket is included.

3. Mr. and Mrs. H. B. Harris.

Mr. and Mrs. Harris have been provided with the outgoing allowances and with an outfit allowance of \$200 in accordance with the practice of the Methodist Board. Usually the University would not make the outfit allowance for three years appointment, but as it seems likely that at the end of the three years Mr. Harris will enter the work of the Methodist Board and as the present arrangement was made with the anticipation of this it was thought only fair to provide Mr. Harris with his outfit allowance. It will be understood if, when and as he is transferred to the Methodist Board a proportionate share of his outgoing will be carried by them.

0952

And in that total the outfit allowance should be included. This amount should be carried through in such a way that when the time comes for settlement of it it can easily be made.

4. Case of Lucien Warner.

No amount whatever has been advanced to him here. I have already written to you concerning the \$90.00 provided by his father for housing.

5. Dr. J. Leighton Stuart.

On our books is \$405.35 advanced to Dr. Stuart for travel. He will no doubt make settlement of this amount with you in Peking. \$5.35 has been paid as an express charge on his trunk and should be included by him in his account of transportation.

6. There has been advanced to Mr. E. M. Bocker on account of travel in the United States \$275.00, a part of this amount is chargeable to campaign account and I have written Mr. Bocker for settlement of that part. The balance is for travel expense in connection with work he is to do in Peking and settlement of this account should be made with him in Peking and in whatever way charges for his work are carried. When I know the exact amount that is to be transferred to you in this way I will report to you.

7. Miss Emma L. Konantz.

We are paying home allowance here to Miss Konantz dating from the first of July and will continue to pay until her return to the field and will charge it against the current account of the Board of Managers for 1922-23.

We are charging these advances against the current budget of the Board of Managers for 1922-23, except as I have indicated with reference to the campaign.

Faithfully yours,

EMN
CMM

0953

TRANSFER

For complete
copy see G. M. Becker.

December
Twenty-nine
1922

Mr. O. J. Krause,
Peking University,
Peking, China.

My dear Mr. Krause:-

In accordance with the procedure suggested in Arnett's book we have been revising the accounts of the Trustees, and, in order to try the process through effectively, we have re-written the entire account of 1921-22 in the new form. In this process we have completed certain reconciliations of our books with yours and certain others remain to be done.

I desire in a series of memoranda to take up the following items:

1. The adjustment of the difference between the two Equipment Accounts as stated upon your books and ours.
2. The method of reduction of the present deficit in the Current Account of the Board of Trustees.
3. The adjustment between the City Site and Land Accounts as stated on your books and ours.
4. The adjustment of the items in the Disbursement Account of the Budget of the Board of Managers for 1921-22.
5. The statement of how the building accounts stand upon our books and the method of reporting and recording the distribution of undesignated expenditures for building operations.
6. The report to you of amounts expended on Current Account of the Board of Managers for the present year.
7. A method of systematically reporting to you of the amount expended here and chargeable to your Budgets.
8. The organization in proper forms of your requests to us to pay bills and the approving of requisitions on the field

cf in Property folder with corres. bet E. M. N. & O. J. Krause Mch & Apr 1922

0954

4. by a responsible officer.
9. The adoption on the field of a proper system of budget control and its operation, with indication of the process now used on the Trustees' books.
10. The frequency and form of the reports of the Treasurer of the Board of Managers, including the following questions:
 - a. Should endowment and other permanent funds appear at all on the books of the Board of Managers?
 - b. Is it desirable that the Board of Managers' books hereafter carry the accounts for capital sums which relate to the sums contributed by the Boards?
 - c. The method of establishing a Gold equivalent for capital sums on the accounts of the Board of Managers and a similar provision with reference to the balance sheets for Current Account in order that by a proper combination of the balance sheets and financial statements of the Board of Managers and the Trustees there may be set up annually a financial exhibit showing the entire financial condition of the University in Gold.
11. Loss in Exchange.
12. Method of setting up the budget on the books of the Trustees

MEMORANDUM # 1

In one of your letters you have referred to the fact that the Equipment Account as standing upon your books is \$7,733.05, while the Equipment Account on our books stands at \$8,220.39. The additional items are those checked in the attached schedule which shows all the items in our Equipment Account.

I think that an inventory should be made to discover whether items stated as equipment are all properly classified as permanent equipment or whether some of them are not simply scientific supplies in the way of chemicals and such items, which will be used up and which belong, not in the class of equipment but in the class of supplies, and should be transferred to the current account. If so, the amount concerned should be transferred back to Current Account from Equipment Account even though it produces additional deficit, for if this is not done and the supplies are used up, there are no proper assets corresponding to the credit on your books and ours for this material.

SCHEDULE OF ADDITIONAL DISBURSEMENTS ON EQUIP-
MENT CHARGED TO EQUIPMENT ACCOUNT.

C.H. Stoelting (For J. M. Gibb)		
Ordered 9/2/19	Invoice (9/2/20)	
2 Alliades	36.54	
1 Drawing Set	10.00	
Postage	.46	\$ 47.00
A. H. Thomas		
Their Order No. 40998		
Gibb letter 8/19/20		
Electric Plates, Chemicals		
Barometer, etc (See Invoice)		400.92
C. H. Stoelting 11/30/20		
Physics Equipment		39.42
	Total---	\$ 487.34

0956

MEMORANDUM # 2

OK. 5/9/23
No further items unless
later statement given

REDUCTION OF THE PRESENT DEFICIT IN THE CURRENT
ACCOUNT OF THE BOARD OF TRUSTEES

You will notice from the Balance Sheet in the Annual Report that there is a Current Account deficit of the years 1919-21 of \$14,988.35. This deficit has accrued during these years as follows:

Deficit July 1, 1920	\$ 7282.62	
Additional deficit Jan. 1, 1921	5678.64	
Additional deficit July 1, 1921		
(\$3447.67) less sundry receipts available (\$1420.48)		1927.19
		<u>\$14988.35</u>

At present this deficit is being carried by the undesirable method of borrowing from our capital funds and I am anxious to reduce it in whatever way possible in order that these funds may be released for other purposes at an early date.

Your letter of April 22, 1922 reports \$3000 applied to Plant Disbursements from Current Funds. By authority of the Trustees we are repaying Current Funds this \$3000 from Plant Funds and reducing this deficit by that amount to \$11,988.35. If there are any further items of this kind that can be discovered by an examination of your books or by inventory it would be a very great help to us to have those reported in such a way that we can charge them against Plant Funds and credit them to our Current Account and off-set that deficit still further. It may turn out that the study of the items on the Equipment Account will show that some of these were for supplies and should be charged to Current Account and the Equipment Fund reduced, and that these adjustments may off-set any adjustments that may be made in other ways by the discovery of permanent, Scientific and other equipment purchased with current funds. Will you please investigate this matter carefully and report anything of possible help in reducing this serious deficit.

I attach herewith a list of the items for scientific supplies that ^{may} give the permanent equipment figures, so far as our disbursements on Current Account for past years show them.

7/11/21	Arthur H. Thomas Co. Ord. # 14169 based on letter J. M. Gibb 6/14/21 14 cases acids, chemicals & glass via Steamer "Grace Dollar". In- voice, 10 pages.	\$542.38
10/20/21	Arthur H. Tomas Co., same order, same statement. Box #480 goods of German origin	11.45
6/5/22	Central Scientific Co., ordered by J.M. Gibb, shipped to Union Business Agency, Tientsin, marked Woman's College. 1 package 24 needles	6.12

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MEMORANDUM # 3

ADJUSTMENT BETWEEN CITY SITE AND LAND ACCOUNTS
AS STATED ON YOUR BOOKS AND OURS.

You will notice from the Balance Sheet that the totals with reference to the property items on our accounts covering your statement of April 22, 1922 and our Balance Sheet of June 30, 1922 stand as follows:

	<u>Yours</u>	<u>Ours</u>
City Site and City Bldgs.	\$224,303.49	\$218,882.15
Land	67,952.21	73,658.21
Equipment(using your figures)	77,033.05	77,033.05

Your figures are based upon Statement # 3 attached to your letter of April 22, 1922, deducting from the total of the new site column 2, the equipment item.

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Ignoring the equipment item, which is the same on both sides, our total for the City Site is \$421.34 less than yours, while our total for the new site is \$5716 more than yours.. It would be entirely proper for me to make the transfer of enough of the \$5716 to the City Site Account to make our figures agree with yours. This would leave me with an amount in excess on the New Site Account of \$294.66. If I could locate this amount I could bring our property figures into exact agreement with yours.

In other words, it appears that of the total amount disbursed for property our books show \$294.66 more at the moment when our figures should be in exact agreement because we have endeavored to put upon our books the property disbursements as you have reported them or as we have sent to or paid drafts from you. It is, so far as I can see, impossible for me to trace the matter from your statement of April 22, 1922, full and complete as that is, because our books do not show the division of the payments by the Boards between the old site and the new site, and because I cannot tell the items of disbursement here that go to make up the \$29,515.78 referred to in statement 1, line 14, and statement 4, line 12.

Please note that we have brought our amount for the Presbyterian Mission up to the \$60,000 appearing in statement 3, line 4 and that the \$5000 necessary to bring the American Board(line 1) up to \$54,500 from the \$49,500 which you have, is included in line 9.

You will note that your covering letter, page 2, states with reference to statement 1, line 14, that the source of those amounts is shown in statement 4, but as a matter of fact, statement 4 simply repeats the amount without showing the items that to make it up.

As far as I can see it, this is a matter that is, in a sense, irrespective of the Boards' accounts and is simply a straight difference between our record of disbursements to you and your record of receipts from us, including in both cases the amounts

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that we have reported back and forth such as those you have received on the field and any we might have disbursed for you here.

I have had an analysis made of our disbursements and of your receipts in the hope that you will be able to locate the difficulty. The list of receipts in this statement is identical with column 2 of statement 1 in your letter of April 22, 1922. The list of our disbursements has been made to include the items received by you on the field, but not from us, as referred to in lines 12, 13, 15 and 16 of your statement, (but which are now on our books.)

Debit		Credit	
<u>1919</u>		<u>1919</u>	
4/15 Items Bal. Sheet		4/15 Items Bal. Sheet	
9/18/16	\$123091.86	9/18/16	\$123091.86
4/15 Report 5/25/17	40000.00	4/15 Memo. 10/7/18	39969.21
4/15 Draft # 11. Treasurer's statement			
1/31/18	13094.66		
6/12 Draft # 17	5000.00		
7/14 Check # 21	5000.00		
9/12 Check # 25	5000.00		
9/12 Check # 26	5000.00		
11/24 Check # 39	5000.00		
5/21 Check # 105	25000.00		
<u>1920</u>		<u>1920</u>	
11/11 Check # 193	10000.00	1/20 Drafts # 2, 3, 5, 6, 7	25000.00
		10/28 Property Note	25000.00
		12/22 Property	10000.00
		<u>1921</u>	
		5/31 Transferred to Property	13125.45
Total	\$ 236186.52	Total	\$ 236186.52

In addition to the analysis the above is the transcription of the property items on the old account, Treasurer Board of Managers, on our books, showing when payments of drafts from the field were made on the debit side, and on the credit side the transfer of these items to our Property Account. The rest of the property account appears in the analysis which I referred to above. The \$94.66 in the item for April 15, 1919 looks suspiciously like what we are looking for, but I cannot disentangle it at all.

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January 26, 1923

ANALYSIS OF TRUSTEES DISBURSEMENTS
AND MANAGERS RECEIPTS FOR PROPERTY.

Disbursements Trustees			Receipts Managers			
M. E.	\$ 86504.76	} (a)			} \$ 86504.76 ✓	
Am. Bd.	12000.00					12000.00
P N	10000.00					10000.00
	39969.21	} (b)	(b) 39969.21	} (b) 25000.00 Am. Bd.	} (b) 25000.00 Am. Bd.	
	13125.45		{ 30.79 (c) (c) 30.79			{ 15000.00 P N
			{ 13094.66 (d) (d) 13094.66	{ 15000.00 P N		
			(s) 1905.34			
L.M.S.	25000.00	(e)	(e & f)	10000.00	L M S ✓	
L. M. S.	25000.00	(f)		40000.00	L M S ✓	
	10000.00	} (g)	(g) 25500.00	} (g) 12500.00 Am Bd.	} (g) 12500.00 Am Bd.	
	22000.00		{ 16500.00 (h) (j) 3000.00			{ 8000.00 M. E.
	10000.00					{ 8000.00 P N
	2782.73	(k)	(l) 2000.00 P N	(m) 10000.00 P N	(o) 3000.00 Univ.	
P N	2000.00	(l)	(h) 16500.00	(n) 2500.00	29515.78 ?	
	2500.00	(n)	(k) 2782.73	(r) 7733.05		
	3000.00	(j)		(p) 3468.21 Women	(q) 10000.00 Ch'en	
Women	3468.21	(p)				
	2200.00	(s)				
P N	10000.00	(m)				
Ch'en	10000.00	(q)				
Equipment	7733.05	(r)				
Current	3000.00	(o)				

All items tally off as shown by alphabetical cross references except (s) which is \$2200.00 on the Trustee side and \$1905.34 on the Managers side, the difference being the elusive \$294.66. Of course, this difference may not be here but be in any transaction where the exact amount of our disbursement and your receipt disagree. It does not help any to show the sources of Trustees funds as disbursements have been made without reference to source.

MEMORANDUM # 4

ADJUSTMENT OF THE ITEMS IN THE DISBURSEMENT ACCOUNT
OF THE BUDGET OF THE BOARD OF MANAGERS FOR 1921-22.

The accounts (see Schedule E of my Annual Report attached) show disbursements in excess of budget of \$622.89. The items on this account in addition to Drafts # 1, Aug. 9; # 2 & 3, Aug. 30; # 3, Spet. 28; # 5, Nov. 21; # 6, Nov. 30; # 7, Jan. 4; # 9, April 5; # 13, May 29; # 15 & 16, June 30, are as follows:

<u>Voucher No.</u>	<u>Description</u>	<u>Amount</u>
366	Travel of Ruby	\$ 900.00
374	Science Equipment Arthur H. Thomas	
398	Invoice 7/11/21- Chemistry Supplies Chemistry Text Books for E. O. Wilson, from McGraw Hill Co.	542.38 36.55
399	Chemistry Text Books for E. O. Wilson from Century Co.	12.49
404	Stenographic Text Books	75.00
523	Laboratory Equipment, Chemistry, A. H. Thomas, Invoice 7/11/21	11.45
591	Transportation of goods for Wilson	195.90
726	Science Equipment, Needle Central Scientific Co. 6/5/22 Stuart-Travel	6.12 405.35

Some of these amounts I presume are not properly chargeable to budget and, in the case of the text books and some other items, you may have had corresponding receipt on the field. Will you write us, authorizing us to reduce the budget for 1922-23 by \$622.89 as representing items which we have carried as an over-expenditure but which presumably are being charged to some other accounts on your books. If you will do this, we will be free from having to carry forward a deficit on your 1921-22 Current Account. We have closed this account out on our final Balance Sheet, but to off-set this closing have reduced the appropriation to you for the current year accordingly.

MEMORANDUM # 5

BUILDING ACCOUNTS

I attach herewith schedule dated December 31st concerning building funds and building operations. This schedule is a combination of Plant Fund accounts related to current building operations and of the Asset Account corresponding. (See Schedule C 6/30/22 in Annual Report and similar schedule for 12/31/22).

In our process no entries are made on the debit side of the Plant Fund Account except in the case of the Harkness Temporary Fund, which is a temporary account that reduces as the Ninde Memorial Fund increases, the sum of the two being kept at \$40,000. By not making any debit entry on the Plant Fund Account the Ledger and the Balance Sheet always show these funds in the totals for which we must show definite permanent assets. The Building Operations Accounts contain on the debit side the amounts distributed for building operations and any loans made from the Building Account to another account, and on the credit side any loans received from another Building Operations Account. When a building is completed the Building Operations Account will be closed and the completed building will be listed with its total cost in the account known as "Buildings."

Under the heading "General Funds" is the statement of the amounts that have been received for general purposes or that offset the land items. You will note that the City Site, Land and Equipment items are not in agreement with yours. That account has been covered in Memoranda # 1 and # 3. Please note the process to be followed in the case of the Yenching buildings. As Trustees for Yenching College our balance sheet must show these buildings and the land, or the equity in the land which we hold in their behalf. Their liabilities on this account are all included in a Plant Fund Account known as the Yenching College Trust. The corresponding assets appear in the items of "Land", "Land Improvements and General Plans", and, when one of their buildings should have been completed, under "Buildings". Inasmuch as the drafts for the construction of Yenching College buildings are all being drawn on the Yenching College Treasurer I thought it unnecessary to run Yenching College accounts of the Trustees on these buildings. But when they are completed we will expect a report to us and to Mr. Bowman from you of the total Gold costs of the building in order that it may be properly entered on our accounts as an asset. A similar entry would be made under the Yenching College Trust Account.

Under the Theological School Dormitories Account the item "Architect's Fees" represents the division of the cost of the plans for the dormitories and dining hall building approximately in proportion to their size. If Mr. Gibb thinks that some other proportion should be made I should be glad to make it.

The Construction Costs item consists of the following drafts:

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Draft #	15	\$3500
	18	2500
	22	6545.27
	29	5000

The Ninde Memorial Construction Costs consists of

Draft #		\$6000.
	14	2637
	18	1500
	26	5000
	30	5000
	31	5000

An amount which I assume you have drawn from W. A. Main, being the Ninde Memorial Fund sent to the field in advance and held by Mr. Main. 5000

If there was any interest accumulated which was paid to you at the time Mr. Main paid over this fund please report it.

BUILDING OPERATIONS UNDISTRIBUTED.

Our liabilities in this account consist of whatever general funds may be available on account furnished by the Yenching College Trust for the purchase of building machinery, and such loans from the Building Fund Investment account as are needed to keep this in balance.

The items covering the \$15,173.59 and the \$4032.51 in this account are as follows:

July 1, 1921	E. J. Wilson- Outfit	\$250.00 ✓
July 30, 1921	E. J. Wilson- Travel	900.00 ✓
Aug. 11, 1921	J. M. Gibb	50.00 ✓
Aug. 11, 1921	J. M. Gibb	44.85 ✓
Aug. 13, 1921	Discount on loans	107.92 ✓
Aug. 17, 1921	War Stamp on loan	.70 ✓
Sept. 29, 1921	Discount on loan	91.50 ✓
Sept. 22, 1921	J. M. Gibb	169.21 ✓
Sept. 26, 1921	Elizabeth Mason	200.00 ✓
Sept. 26, 1921	J. M. Gibb	200.00 ✓
Sept. 27, 1921	J. M. Gibb	200.00 ✓
Sept. 29, 1921	War Stamp on note	.60 ✓
Oct. 10, 1921	Elizabeth Mason- Passage	290.00 ✓
Oct. 6, 1921	J. M. Gibb- Passage	307.30 ✓
Nov. 5, 1921	H. E. Hill - Passage	328.70 ✓
Nov. 11, 1921	E. F. Black- Travel	32.22 ✓
Nov. 24, 1921	Supplies for H. E. Hill	1.13 ✓
Dec. 15, 1921	Shipment to H. E. Hill	141.18 ✓
Feb. 7, 1922	Drafting supplies	66.83 ✓
Feb. 7, 1922	Drafting supplies	9.90 ✓
Feb. 21, 1922	Draft # 8	3000.00 ✓
Mar. 9, 1922	Ford Sedan	1006.00 ✓
Apr. 17, 1922	Draft # 10	496.00 ✓

corrected = 30¢ less in this acc

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Apr. 19, 1922	Draft # 11	\$ 504.00 ✓
May 1, 1922	Draft # 12 (machinery)	6775.85 ✓
June 30, 1922	Interest on note	32.69 ✓
July 19, 1922	Waterproofing Paste	400.00 ✓
Sept. 21, 1922	Freight on same	91.48 ✓
Oct. 10, 1922	B/Ps for Gibb	15.93 ✓
Nov. 8, 1922	Fittings and connections	1387.40 ✓
Nov. 17, 1922	Draft # 32	1437.82 ✓
Nov. 2, 1922	Fittings and connections	387.46 ✓
Sept. 11, 1922	Residence Plan	262.52 ✓

The account known as Plant Fund Investments and Loans was set up primarily to consolidate the temporary investment of building funds in securities. As it happens, however, we have not had sufficient undesignated building funds on hand to take care of undistributed building operations and we have a heavy overdraft on the current fund. We are making a loan at the bank to relieve this overdraft, but we are still short of general funds to cover miscellaneous building operations. I am hoping that early in the campaign we will have enough to cover this shortage and will be free from the bother of these inter-account loans.

It seems to me highly important that Mr. Gibb should not delay too long in bringing his accounts with each building up to date and to a point where he will be able to give the total costs of the buildings. I am afraid that if he waits now he will be overwhelmed with work to do on those accounts which the passage of time will make impossible to complete successfully. I hope that he has been occupying himself with this in part during the more quiet winter period. I daily get fresh evidence that it is imperative that the financial affairs of our Mission colleges should be kept in model fashion. We have been, thanks to Mr. Krause and Mr. Gibb, more fortunate at Peking than in other places where the accounts have appeared more elaborate, but we are still far from having the forms of statement and the smoothness of operation which I believe is our desire both here and on the field.

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MEMORANDUM # 6.

I hope to arrange to have a report go to you monthly covering the disbursements here on account of budget for each year. It will then be possible for you to keep your budget accounting fairly close to the actual disbursements. The items which we have charged against your Current account for the period July 1 to December 31, 1922 are as follows:

<u>L. M. Booker</u>			
Salary-June 30	60.08 ✓		
July 5	42.91 ✓		
July 31	42.92 ✓		
July 31	30.00 ✓		
Aug. 15	50.41 ✓		
Aug. 22	25.20 ✓		
Travel	70.17 ✓		
"	50.50 ✓		
Passage, Mr. & Mrs. Booker in advance	1074.52 ✓	1446.71	
<u>The Harrises</u>			
Outfit	200.00 ✓		
Outgoing	558.00 ✓		
Examination	5.00 ✓	743.00	
<u>Miss Konantz</u>			
Salary to Jan.		414.98	70.83 ✓ 70.83 ✓ 70.83 ✓ 70.83 ✓ 70.83 ✓
<u>Miss Perrin</u>			
Outpoint		333.70 ✓	
<u>Miss Ashton (Mrs. Booker)</u>			
Allowance	141.67 ✓		
Salary	53.12 ✓	194.79	3143.18
<u>Miscellaneous</u>			
Freight on science supplies			
4 cases fr. Caldwell Shipping Co. to Miss Payne		34.32 ✓	
Science equipment, Dissecting Tools and Microscopes			
Central Science Co. 7/31/22	224.44 ✓		
Text Book	1.05 ✓		
Laboratory Supplies, Chemicals			
Mill Corporation 7/17/22	236.56	263.56	
Schlaegel-Metcalf Examination	4.00 ✓		
Passage J. L. Stuart to China, June 1921		383.70 ✓	
			834.07 \$3977.23 25

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(Memo. # 6 cont.)

Drafts to O. J. Krause

Bal. 1921-2 # 17, charged to
1922-3 as acct. 1921-2
overdrawn

\$ 115.78 ✓

Draft # 24
25
28
33
37

1500.00 ✓
2000.00 ✓
1500.00 ✓
1500.00 ✓
2000.00 ✓

\$ 8615.78

Total Drafts

Mex. \$ 15726.25

Total other disbursements
@ \$4004.35 at 1.80

7207.83

Mex. \$ 22934.08

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MEMORANDUM # 7

REGARDING THE REPORTING OF DISBURSEMENTS
MADE HERE IN BEHALF OF THE FIELD

I have sent to-day to Mr. L. B. Moss, the Assistant Treasurer, the following memorandum concerning report to the field upon actions in which the field is interested. This practice will enable you to know on the field constantly the amount of expenditures here and should reach you so near to the end of your fiscal year as to make it possible to include these in your accounts of disbursements on the budget for the last month of the fiscal year. Would you now think it a desirable practice that all bills payable by us here during the month of June should be charged against the budget of the succeeding year? It will then be possible for you to close your books on June 30th with all items up to May 31st reported to you.

MEMORANDUM FOR MR. L. B. MOSS

" In order to keep clear the disbursements made here on the Board of Managers Current Account it would seem to me that we should adopt at once the practice of sending to the Treasurer on the field a monthly report at the end of each month, listing drafts and disbursements paid, with sufficient notation so that the field can charge them properly to the Departments of the University to which they should be charged and can identify the Bills of Lading and Packing lists referred to in the case of each amount.

I have also suggested to Mr. Krause and Mr. Bocker that we adopt the practice at this end of charging all items paid during June (except drafts from the field) to the budget of the next fiscal year. This will then mean that the report to the field dated May 31st, which they should receive before their books close, would be included in their accounts and no additional items will be charged by us here to that particular budget.

If this is handled in this way his final draft on us, completing the remittances on the budget, could be cleared on our books before the 30th of June so that we could close our books without waiting for that final draft to come from him. As presumably some loss in exchange will be involved on that particular draft I do not see any way that we can do it unless we calculate the amount that is due him on June 30th at our fixed rate of exchange for the year, charge the amount to the current account for the year thus closing the account, and credit a Suspense Account to which the draft could be charged when it finally came in.

We may expect to hear from them with reference to this matter but, in any case, please begin at once the reporting to the field all disbursements on Current Account monthly at the end of each month. I have already reported for the present fiscal year up to and including December 31, 1922. "

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MEMORANDUM # 8

REQUESTS TO PAY BILLS

There has been from time to time much confusion caused by individual members of the staff of the University ordering supplies direct from concerns in this country and instructing or failing to instruct the Treasurer of the Trustees sufficiently as to the amounts which were authorized to be paid. This process, even when the disbursements are within the budget approved for the Department concerned, is not a proper one because all such disbursements should be incurred only on the signed statement of the Treasurer on the Requisition that the amount is within the budget of the Department concerned. In the second place it seems to me highly desirable that all purchasing for the University should be centralized in one office or one officer in order that the dealing with different firms and shipping agents may be in the hands of one who will have some information concerning all the transactions and who can standardize the process of purchasing and the financial transactions involved. I would strongly urge that Mr. Bocker make it one of his early duties to organize such an arrangement for making the purchases of the University. But the details of that are something which must be determined upon the field. The matter in relation to it that affects us here is the receiving in proper form of the authorization from the field to pay bills. To this end it would seem to me desirable that, on every occasion when the field desires the Trustees to pay bills here, the ordering of the supplies and equipment concerned should be made through this office and not direct to the firm in this country. There is no great advantage in time if the full order is sent to us here and then by us transmitted to the firm and executed. We now have an office that is handling such matters expeditiously and I cannot conceive of any disadvantage to the field in the matter.

This has the great advantage of keeping the whole matter of dealing with those firms at this end entirely clear. Any such order received here should carry with it a memorandum signed by the Treasurer or Assistant Treasurer on a standard form certifying that the purchase proposed is within the budget and that the Treasurer of the Trustees is authorized to pay the bill incurred and charge it to the budget of the Board of Managers. If by any chance an order to be paid here should not be sent direct to this office, the signed requisition must go with the order to the firm and come from the firm to us here, though it would be better if the order were put through us in the first place.

Even under the system outlined above an element of confusion may enter in if the field makes purchases and payments direct to firms in this country with which the Trustees are also dealing in behalf of the field. I have the impression that certain bills of the Will Corporation, which we have received with the request to expedite payment, and which we never heard of here, have been bills which the field has incurred directly and which the field expects to pay directly, but for which the firm concerned assumes that the New York office has some responsibility. Thus it would seem to me that to insure perfect clearness it

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would be desirable for you, except where your transaction can be with a China agent of such firm, to have all your transactions with American firms carried on through the Trustees' office. We do not care for the additional labor and trouble it affords but are willing to be bothered with it if we can in this way secure the avoidance of confusion that frequently arises in connection with these purchases.

MEMORANDUM # 9

SYSTEM OF BUDGET CONTROL

I think I have indicated in another memorandum all that need be said as to the budget system in operation on the Trustees books, except to say that, in the case of the budget of the Board of Managers, an extra column alongside the Disbursements is kept in which the Mex. equivalent of all disbursements, both by drafts from the field or calculated at the arbitrary rate of exchange adopted for the year, are entered and frequently totaled, showing us constantly the balance which you are authorized to draw.

It is my very clear conviction from the experiences which Nanking University is now going through, which Fukien is also having and which I think Peking is not entirely protected from having that a definite system of budget control should be established on the field and systematically, carefully and accurately operated. If this is not done our China universities will go through the same period of chaos in financial affairs which are characteristic of many American colleges, and we have in China not only the responsibility for properly conducting our own affairs, but also of setting an example of the highest possible standard of financial and educational administration. (See pages 83-85 of Arnett's book.)

It would seem to me that at regular intervals budget modification schedules should be prepared and action taken approving such modification by the appropriate committee. Whenever such action is taken the modifications approved should be sent on here. No modifications affecting receipts from the United States should be put into operation until after approval has been received from here.

REPORTS OF THE TREASURER OF THE BOARD OF MANAGERS

It seems to me that we will never be in quite a satisfactory condition until we can have annually or at the end of the fiscal year a financial statement showing the entire condition of the University, both liabilities and assets on the field and here.

The first step as I see it is the development of a method of accounting on the field so that the balance sheet of the Treasurer of the Board of Managers and his annual report shall be substantially upon the lines as indicated in Arnett. We shall be in very much better position to know where we are upon our operations, also in better position to report to the Boards and Foundations our needs, if we can present a statement based on those principles and forms. I think that as rapidly as possible the accounts should be brought into the forms necessary to make this practicable and I see no reason why this cannot be accomplished so that the balance sheet for June 30, 1923 can be of this form and the accounts thereafter adhere to it. In connection with this certain questions arise as to the inclusion on the books of the Board of Managers of various items, particularly endowment, which are held and invested here.

- A. Should Endowment and other permanent funds appear on the books of the Board of Managers?

It is my judgment that no endowment funds or investments should appear upon the books of the Board of Managers, except in the case of funds which are held and used in China. The only ones of that kind of which I know at the present time are:

1. The Burt Friant Loan Fund which should appear in your permanent fund section of your accounts, the corresponding asset being cash on hand or notes of students to whom funds are loaned.
2. The \$8000 Mex. of the Yenching Scholarship Fund contributed by Mrs. Frame. It seems to me desirable that, unless other conditions make it necessary, that amount be held on the field in the form of a permanent scholarship fund, the assets being the securities or certificate of deposit or whatever you have on the field to show for it.

I think that that nothing else belongs in your account on permanent funds. For us to report to you our endowment here and putting it on your books would only be to make unnecessary confusion because those amounts are not related in any way to the Mex. equivalent.

- B. Is it desirable that the Managers books carry separate capital accounts for the Boards and for designated gifts?

It is my judgment that no little of our confusion in straightening out the City Site Gold valuations upon our books has been

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due to the fact that you have kept your accounts not in terms of receipts from the Trustees, but in terms of amounts from the different Boards, so that it is difficult for us to trace items from our statements to yours. Of course part of this has been due to the fact that you have received funds from the Boards directly on the field. This, I think, should be eliminated as far as possible and all capital payments be made through the Trustees. The only instance that would differ from this would be where Chinese givers contributed sums to you on the field, or where you use current income for plant purposes. In these two cases report should systematically be made to us. I think, therefore, that in setting up your new forms of statement and your books in accordance with them, your balance sheet and statement of funds should consist solely of the three divisions:

1. Plant funds received from the Board of Trustees.
2. Plant funds donated on the field (not Board funds).
3. Plant funds from current funds.

The subdivision of the first item among the separate funds representing the donors would then appear upon our books and ours only. The plant funds are getting far too numerous (and will continue so) to make it practicable for us to be constantly reporting to you new capital funds to be set up on your books.

C. Consolidated financial exhibit?

It would seem to me that if the permanent plant funds and assets in your annual balance sheet are so set up that the Gold equivalent of each item can be made to appear it will be entirely possible for us, on the basis of that, to form a consolidated financial statement that will show the total condition of the University's permanent and plant accounts in full in a single currency.

With reference to the Current Account, this is, I think, the more difficult. But I think we can approximate it, however, if your financial statement for current operations is clear and complete and shows the Gold equivalents of such items as you may have received from us. The statement would then be complete because we could take the totals of the main divisions of the budget at our arbitrary rate of exchange and summarize them in Gold, adding a footnote explaining the possible discrepancies in the adjustment of the different items, but in any case I think that the balance sheet which we want should not be a balance in the different accounts, but a form of statement that would show up clearly the actual receipts for each of sources listed in the form of ^{the} budget of income and on which could be found the actual disbursements arranged in the same form with the appropriations totals by subdivisions. I notice that this is not the case with Arnett's balance sheet. If you think it best to stick to the simpler form of balance sheet which he has then we ought to be sure to have a financial

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statement corresponding to Table III and IV in his book, but arranged upon the basis of our budget forms which are designed for universities rather than for colleges, as contemplated in his forms. I think that it is entirely likely that Schedule E in my own Annual Report would be more satisfactory if we had followed Arnett's plan and had handled the budget elements included in it in a separate way.

In addition to the Annual statement it seems to me that you will need at least quarterly statements on forms sufficient for you to check over and see whether any budget adjustments may be necessary. We should like to have these statements as regularly as they are prepared.

MEMORANDUM # 11

I have been bothered by the matter of adjustment of loss in exchange on the budget because that has landed in the middle of the fiscal year under which we are now operating. The Boards, of course made the original agreement with the University on the basis of the Calendar year and we have made adjustment of loss in exchange with them on that basis, but it means that we are not able to handle the loss in exchange upon the period of our fiscal year. The matter was not troublesome when the only funds which entered into the budget were those received from the Boards, but now that endowment and other items enter into the budget it seems to us desirable to adjust the matter so that loss in exchange on any current items authorized by the Trustees apart from the Board items shall relate to the fiscal year. We shall accordingly request the Boards to approve an arrangement by which the basis of their agreements with the University shall be shifted from the calendar to the fiscal year. This does not alter the amounts that they pay us, but only the time when exchange losses are adjusted. When we get that authorization we shall hope to be able to settle the loss in exchange without confusion.

We have set up a Loss in Exchange Reserve Account which we will keep at a fixed figure upon the Trustees appropriations, so far as we are unable to meet the appropriations by the Boards. This will only result, however, when we fix our arbitrary rate of exchange too high. We are glad to note now that it is moving upward and hope that we are approaching a period when the losses may be eliminated.

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MEMORANDUM # 12

METHOD OF SETTING UP THE BUDGET ON THE BOOKS OF
THE TRUSTEES

When the amount of Mex. which the Trustees can furnish to the field from regular sources of income is determined the Gold budget is set up as follows:

The appropriations of the Boards at two for one are deducted and the balance of Gold required is estimated at an arbitrary rate of exchange for the year which is designed to protect the extra amount which the Trustees provide for loss in exchange so far as that is possible. This Gold budget consisting of the Gold appropriations of the Boards and such extra amount as the Trustees approve (as from Endowment Income, etc.), calculated as just stated, is entered to the credit of the Managers Account for the year in question. It is then added to such items of designated gifts as are in hand at the beginning of the year for specified items of the budget of the Board of Managers, and as such designated gifts are received during the year they are added to the budget and the Treasurer on the field is notified. Such items, however, are not subject to loss in exchange adjustments and must be drawn in Gold at the exact figure reported. To illustrate, the budget for the year 1922-23 is in Gold as follows:

General Budget	\$23,282.22
(This is the Gold equivalent of \$44,228 Mex.)	
Harrises, Salary and outgoing	2,000.00
H. S. Coffin, Theological publications	600.00
T. T. Lew, Salary	250.00
For L. H. Warner	90.00

The first item represents the amount in gold dollars we estimate will be necessary to cover the budget of \$44,228 Mex. which is the approved budget for the year less the amount which we anticipate you will receive directly for T. T. Lew. The second item, which must be drawn in Gold and preferably should be drawn in one amount so marked that we can identify it with this item, covers the outgoing expense and salary of the Harrises which is charged against the budget for 1922-23. If, in your actual operations on the field, in this particular item you have a deficit because the item is not sufficient to cover these expenses, then this deficit ought to be carried over to the next year against the next payment on this account. This is simply to spread over the outgoing expenses until they are met. You will note from Memorandum # 6 that \$200., \$538., \$5.00, a total of \$743., have already been paid on this account so that your draft can only be for the balance. The third item should also be drawn in Gold and in one amount. Item four is an item we had dropped from the budget because we did not anticipate that the funds would come to us. It will be added to the budget only if, as, and when the funds are received by us, as, at the present moment, we do not know whether Dr. Smith has paid some of this to you on the

field or plans to do so or not.

Therefore, in general, the practice should be followed of drawing in Mex. upon the regular budget and drawing in Gold upon the special items that are reported to the field, labelling the drafts on those items so that they can be clearly identified with relation to the item concerned.