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STUDENT REPORT FINANCIAL MANAGEMENT OF

MORALE, WELFARE AND RECREATION:
A GUIDE FOR COMMANDERS

MAJOR ELVIN ROBERT TIBBETTS 86-2535

"insights into tomorrow"

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A GUIDE FOR COMMANDERS

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requirements for graduation.

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PREFACE

Commanders have important responsibilities in leading Morale, Welfare and Recreation (MWR) programs. They must insure a wide range of programs that support their base community, carefully evaluating the cost of these programs in terms of facilities, equipment and manpower. They must know business concepts, such as evaluating income and managing working capital. Further, they must know how each MWR activity fits into the overall mission and insure appropriated fund support is provided accordingly.

Commanders do all this while faced with growing pressure to reduce appropriated fund support and operate MWR on a more self sustaining basis. If they are good at managing the financial end of their MWR programs, they can maintain the high state of morale essential for the effectiveness of military personnel and their dependents. This, in turn, makes the difference between just getting the job done and getting it done well.

But, it's not easy to get at all the rules and guidelines which affect MWR financial management. They are scattered in dozens of regulations and less formal documents. This document consolidates these guidelines for easier access. It also lays out simple business tools for financial management of MWR.

This document will be published by the Leadership and Management Development Center as a simply worded guide for the Base Commander's Management Course. In this way, the guide will help commanders improve their MWR programs and allow them more time to focus on other challenges. The result will be increased mission effectiveness.

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ABOUT THE AUTHOR

[REDACTED]. He joined the Air Force in 1963 and served the next six years in budget and finance. He attended Arizona State University under the Airman's Education and Commissioning Program, graduating with a Bachelor of Science degree in Accounting in 1971. After commissioning through Officer Training School, he served in a variety of comptroller assignments at base and MAJCOM. During this period, he was active in Morale, Welfare and Recreation management, leading several special studies for commanders on internal controls and evaluation of financial performance. From 1983 to 1985, he served as Chief, MWR Division at Yokota Air Base, Japan. He is a certified public accountant and a member of the American Institute of Certified Public Accountants.

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Chapter One

INTRODUCTION

Morale, Welfare and Recreation (MWR) financial management is unnecessarily complicated for Air Force base commanders. Guidelines for MWR financial operations, working capital management and appropriated fund support are spelled out in a variety of Air Force publications but are not consolidated for ready access. The guidelines say most MWR activities must make a profit to sustain operations and generate working capital; some, however, must be subsidized by profit makers and/or appropriated funds. Support guidelines also stipulate whether appropriated or nonappropriated funds (NAFs) can or should be used. These guidelines are spread throughout literally dozens of publications.

Commanders also face the lack of generally accepted business guidelines for MWR financial evaluation and decision making. Review of financial literature reveals useful tools for evaluating performance and financial health. Since MWR activities operate in much the same way as private business concerns, it makes sense to use what's there to simplify MWR financial management. Although this guidance is available in the private sector, little has been formalized for use in MWR financial programs.

Enter the base commander, coming to MWR financial management with heavy responsibilities and finding little constructive guidance. Financial responsibilities for base commanders are twofold. They supervise establishment (investment) and operation (performance) of installation NAF instrumentalities. They must exercise these responsibilities while trying to provide balanced leisure time recreational programs to base military and dependents. They must also cope with the myriad of regulations and guidance which often raise more questions than they answer. Commanders need a simply worded financial decision guide for MWR activities. They have recognized and expressed this need repeatedly.

This paper will summarize guidelines for MWR financial health, operations and support. Generally accepted business guidelines will then be examined for appropriate MWR applications. Finally, this information will be incorporated into a simply worded guide for commanders.

Chapter Two

GUIDELINES FOR MWR FINANCES

Guidelines for MWR financial operations are contained in a wide variety of publications, making it difficult to get at the necessary information. Over half of the 27 regulations and 10 pamphlets covering MWR activities contain some financial guidelines (5:18,80,87,88). Major commands have supplemented these Air Force publications and published their own regulations, newsletters and policy letters on MWR financial operations (18:--;19:--;20:--;21:--;22:--;23:--;24:--). The average base MWR organization must look to about 40 different sources to make sure they are following the spirit and intent of financial rules and goals. This makes it hard for even the experts to keep up, let alone our new commanders.

The financial guidelines are hard to keep up with, but their basic rationale is simple:

[to maintain]. . .the high morale and state of well-being essential for the effectiveness of its military personnel, their dependents and eligible civilian personnel. To do this, NAF sources give financial support to programs and facilities for free-time recreational pursuits. . . .Depending on the nature of these programs and facilities, some are wholly or predominately operated and maintained with funds appropriated by congress while others are wholly or predominately operated and maintained with NAFs [emphasis added] (9:4).

Depending on the nature of programs and facilities provided, there are different operating rules and profit-generating goals for different NAF instrumentalities (NAFIs). While most NAFIs have different profit centers (and goals), the Central Base Fund (CBF) is the most varied in activities offered and profit goals. Some CBF activities must produce income (golf, bowling, arts and crafts, child care centers, etc.); others will absorb income (libraries, athletic programs, recreation centers, etc.) (9:55). These guidelines extend to eight categories of MWR activities (8:104-105). This complicates NAF administration.

But, there's more. The Air Force has also established guidelines for appropriated fund support to MWR programs. As previously implied, appropriated fund support is tied to mission support provided by MWR programs. For example, if an officers' open mess is declared an essential feeding facility,

they will be entitled to appropriated fund support for kitchen/dining operations (B:102).

There are other examples of appropriated fund support being tied to mission, but there are also growing pressures from Congress to manage this support more effectively (4:--;26:--). This makes improved financial management for MWR even more important. By consolidating the various guidelines, we take a noteworthy first step in the right direction. We need to go further, though, and establish a framework for answering questions about MWR finances.

Chapter Three

QUESTIONS ABOUT MWR FINANCES

We have shown it's not easy to keep up with MWR financial guidelines. To simplify and answer questions about these complicated rules and goals, we must have a framework for evaluation. There are some recommended tools for evaluating performance and working capital in general finance and accounting literature (1:--;2:--; 3:--). We can merge this information with Air Force guidance on appropriated fund support to MWR activities. We can then make this consolidated information available in easy to understand terms for answering MWR financial questions.

When working with MWR finances, it is helpful to understand how questions can be at least partially answered by informed examination of financial statements and/or regulations. We can narrow relevant questions to three areas (2:--;8:106-114):

- 1) income questions (how well or poorly did an activity perform?);
- 2) health questions (how well or poorly can an activity afford to pay its bills or invest in new programs?); and,
- 3) support questions (could or should we provide appropriated fund support to an activity?).

Measurement and decision tools to help answer these questions are available. Using these available tools, we can more effectively evaluate performance. We can also do a better job of deciding which activities should get appropriated fund support and in what amounts. If we can do these things better, we can better handle MWR financial programs and activities. More important, we can use our improved effectiveness to help the commander with his share of the financial leadership.

Chapter Four

THE COMMANDER AND MWR FINANCES

There is no doubt that commanders need help with their direct responsibilities in managing MWR programs and resources. Consider that the commander:

Must have diverse MWR programs that support needs and interests of the base community. New programs that require additional funds and/or manpower must be carefully judged [emphasis added] before adoption. . . . Makes sure the MWR program gets proper appropriated fund support. . . . Approves annual budgets, financial plans and revisions. . . . and fees and charges. . . . Controls NAFIs and use of NAFs. . . . Plans for MWR facilities. . . . provides minor construction, maintenance and repair support to existing MWR facilities. . . . Approves MWR program operating hours. . . . [and] Controls the use of MWR facilities (14:7).

We see that commanders are responsible for the operation and scope of MWR programs. Financially, they hold responsibility for prudent operations and wise use of resources in setting up improved or additional MWR programs.

In spite of the broad responsibilities of commanders, they are usually not well informed about the variety of financial guidelines governing MWR programs. They view MWR as a simple business which offers a wide variety of services and products to make a profit (27:--;28:--;29:--;30:--;31:--;32:--;33:--). MWR financial management is not so simple.

We've shown there are dozens of regulations and guidelines which set different parameters for MWR profitability. Not only does the Air Force set guidelines which establish loss-generating activities, but major commands set financial goals which conflict with the simple premise of business profitability. It's no wonder, then, that commanders are not as well informed as they should be to execute their broad responsibilities.

Commanders recognize their information dilemma and want simple guidance on rules and goals for MWR financial operations. In 1985, 70 percent of commanders completing the Base Commander's Management Course stated they wanted help interpreting MWR financial statements (27:--). This cry for help is not isolated. Class critiques for 1982 through 1985 show over half

of those attending wanted a guide to MWR financial management (30:--). This guide should help commanders answer income, health and support questions by providing sound financial tools and relevant Air Force regulatory guidance in one document. Given the guide, commanders can fulfill their MWR financial responsibilities more effectively. More important, however, they'll save their most valuable commodity--time (28:--;29:--;31:--;32:--;33:--).

Chapter Five

CONCLUSION

We have seen that commanders have critical responsibilities in administering MWR activities, including evaluating income, financial health and appropriated fund support. Carrying out these responsibilities is unnecessarily complicated by the myriad of MWR publications which address financial management parameters. There is no single, simply worded source a commander (or anyone) can turn to for quick reference. Given available and acceptable business tools for measuring financial effectiveness, there is sufficient data upon which to base a guide for commanders.

But, is such a guide necessary? Commanders seem to think so. Critiques rendered by attendees of the Base Commander's Management Course for the four years ending in 1985 reveal a long-term need for a simply worded guide to MWR financial management. The desired guide would cover both Air Force guidelines and some of the more appropriate tools adopted from accounting literature. It would also include logic tables for appropriated fund support decisions. Thus equipped with the ability to better manage MWR resources, the commander will also be better able to deal with MWR issues in mission support situations.

Commanders do, indeed, need the guide. We owe them a management aid for evaluation and decision making. Appendix A provides this guide for commanders.



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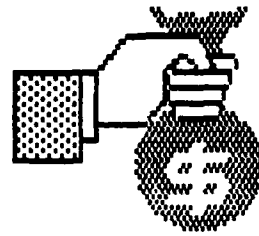
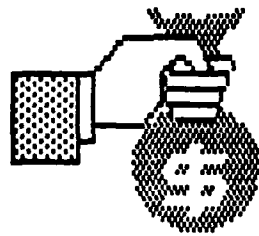
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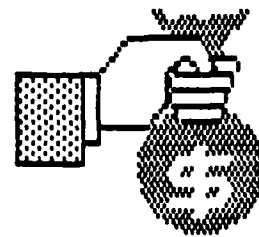
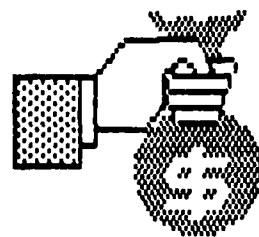
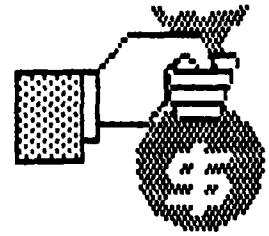
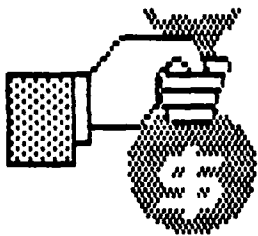
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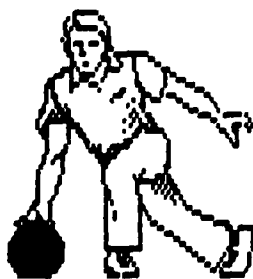
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A GUIDE FOR COMMANDERS



PREFACE

A little over two years ago, the author was assigned as Chief, MWR. Initial marching orders from the commander included a plea to "make some sense" out of the financial management end of the MWR business. Sounded simple. It took a lot of time and research to get to here from there.

This guide has been developed to help commanders perform a job which is unnecessarily complicated: financial management of MWR programs. Included are tips to help in evaluating income, financial health and appropriated fund support. While the guide does not cover every possible situation, it does lay out general rules which will help commanders answer some basic questions for themselves--and ask the right questions of their MWR experts.

Included in this guide for commanders are topics to satisfy the Leadership and Management Development Center's requirements for their Base Commander's Management Course. Lt Colonel Joseph C. Justice sponsored the guide and was most helpful to the author. Major William F. Furr served as faculty advisor to the author, often making the difference in getting the message across. The author is a certified public accountant with over 20 years in the comptroller field and a recent 2-year stint as Chief, MWR at Yokota Air Base, Japan. The combined experience of those involved in producing the guide make it factually and conceptually useful. Only in the hands of commanders, though, will the guide meet its full potential. It will save them time and, therefore, allow them to be more effective. To that end, the author welcomes feedback on improving the guide.

As with any project of this type, there are those who gave the author special motivation. Special thanks go to Major Anthony J. Kobussen for his constructive criticism; the many student and faculty associates who gave encouragement; and, most of all, the author's wife (Toshi) and daughter (Twyla) for their sympathy and sincere attempts to understand what must have appeared to be, at best, total confusion.

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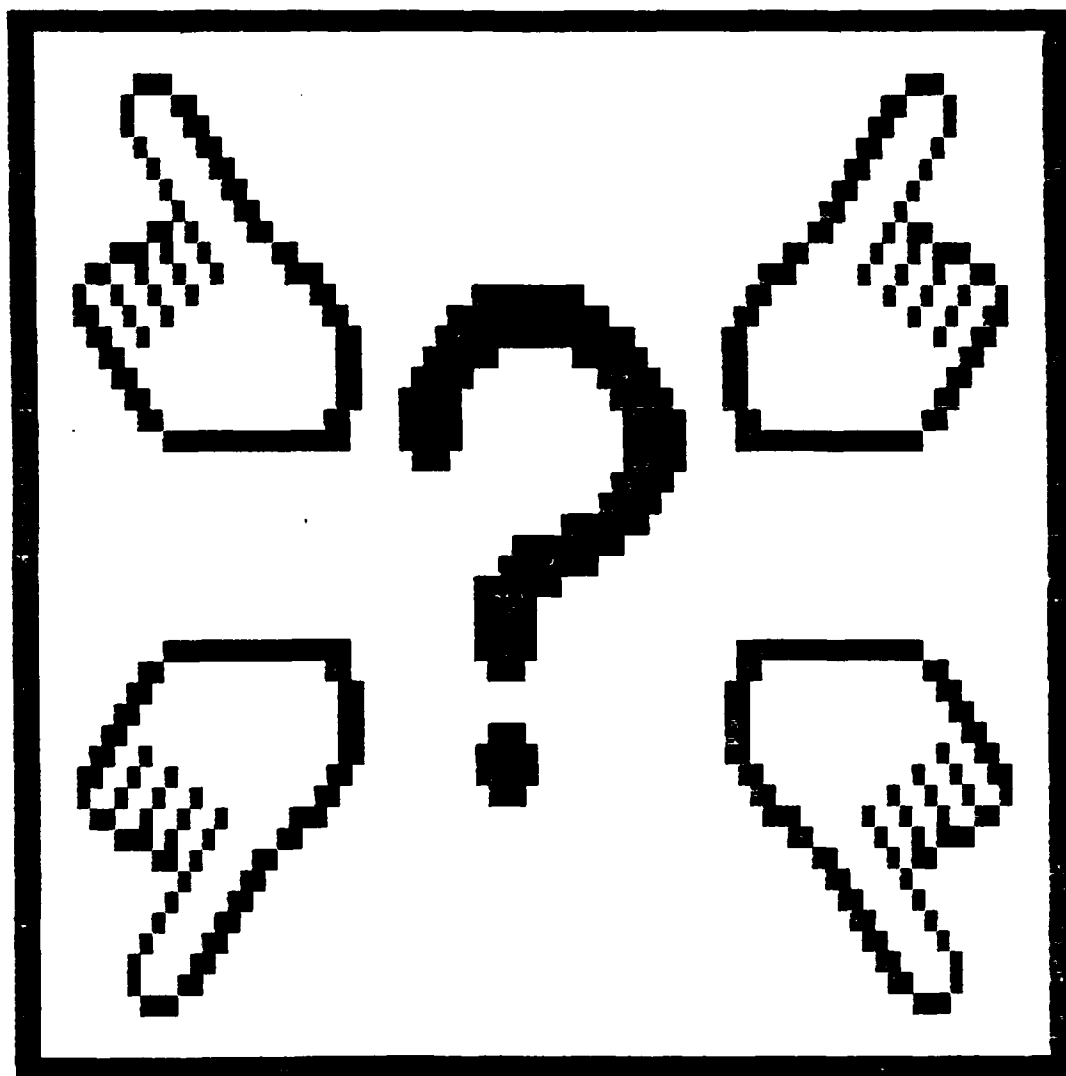
CHAPTER ONE

INTRODUCTION

As a base commander, you have important and time-consuming responsibilities for MWR programs. Air Force Regulations say you are responsible for creating and maintaining morale and well-being of your military, their dependents and civilian personnel. You do this primarily through leadership of effective MWR programs which account for millions of dollars in manpower, equipment and facilities. Rules and goals for financial management of MWR programs are complicated, but have been simplified in this guide to save time and help you make better decisions.

As you look at MWR finances, you are faced with three types of questions: income questions, financial health questions and support questions. Income questions ask how to make sense out of operating statements and how much (or little) income is good. Financial health questions ask if there is enough money in the bank to pay bills or invest in program improvements. Finally, support questions look for extent of mission support provided by MWR and, accordingly, how much appropriated fund support to provide to selected programs. In our look at the guidelines for the three areas of question, we'll concentrate on answers.

What follows is a simple approach to answering the three types of questions for MWR programs. We've consolidated information from dozens of Air Force publications and financial literature. We'll show which numbers on MWR financial statements are important--and why. Then, you can use this information to ask better questions of your MWR experts. You'll save some time and improve your MWR programs.



CHAPTER TWO

ABBREVIATIONS AND DEFINITIONS

Before we get too far along, we need to let you know about some of the abbreviations we'll use and define some business terms.

Abbreviations

APF - Appropriated Fund. Fund appropriated by Congress. The taxpayer's money.

NAF - Nonappropriated Fund. Fund generated from MWR, Exchange (BX) facilities, etc. Not appropriated by Congress.

NAFFMB - NAF Financial Management Branch. The comptroller shop for MWR.

NAFI - NAF Instrumentality. This is an entity for accounting/management control. Each NAFI may have several activities. The ones you'll most frequently come in contact with are:

NAFI	Activities
Central Base Fund	Golf, bowling, sports, outdoor recreation, child care, libraries, auto/arts and crafts, veterinary services, recreation centers, youth centers, camping/hiking sites, etc.
Officers' Open Mess	Bar, dining, special activities, etc.
NCO Open Mess	Bar, dining, special activities, etc.
Class VI Store	Resale package beverage store, etc.
Aero Club	Ground School, resale store, etc.
Sportsmens' Club	Skeet/trap ranges, resale store, etc.
Billeting Fund	Temporary/transient quarters, etc.
NAFFMB Fund	Accounts Control, Payroll, etc.

Definitions

Business Ratios - Aids in understanding financial statements. They help analyze and interpret relationships between various financial accounts. The ones we'll be using:

Return on Sales - Net Income/Loss expressed as a percentage of Sales. A profitability measure useful in measuring attainment of income goals.

Operating Cost Coverage - Total Operating Expense expressed as a percentage of Sales. Indicates the proportion of sales needed to cover operating expenses.

Gross Profit - Gross Profit on Sales expressed as a percentage of Sales. Shows proportion of sales available to cover expenses.

Profit Margin - Gross Income Before Expenses expressed as a percentage of Sales. Shows proportion of sales plus other activity revenues available to cover expenses.

Current - Current Assets divided by Current Liabilities. Provides measure of ability to pay short term debts.

Quick - Current Assets less Prepaids and Inventories divided by Current Liabilities. A more rigorous measure of ability to pay short term debts.

Inventory Turnover - Cost of Sales divided by average Inventory. Tells how many times inventory is sold during a period.

Accounts Receivable Turnover - Accounts Receivable divided by average daily credit Sales. Tells average number of days to collect from debtors.

Debt - Total Liabilities expressed as a percentage of total Assets. Tells what proportion of assets are owned by outside creditors (conversely, how much we own).

CHAPTER THREE

INCOME QUESTIONS

Killing the Myth

Let's deal with the myth that MWR is in the profit making business. It's not. The Air Force prohibits making more money than needed to defray operating costs and fund required programs. Fees and charges are set within this guideline. So, it's perfectly acceptable to "lose" money in some activities, as long as the overall NAFI "makes" enough to satisfy foreseeable needs.

Needs must maintain:

. . .the high morale and state of well-being essential for the effectiveness of its military personnel, their dependents and eligible civilian personnel. To do this, NAF sources give financial support to programs and facilities for free-time recreational pursuits of these people.

With this in mind, let's look at the financial statement on the next page. Looks pretty complicated, but we'll make it easy by concentrating on some key numbers.

Income Questions

The Sample Statement of Income and Expense is in the prescribed Air Force format (Table 1). We've used rounded numbers for ease in illustration. Actual statements at specific bases may vary, but should follow our format. The statement covers the second month of the year, so we should anticipate that Year to Date figures will be roughly double those for Current Month.

Note where the dotted lines are. These five sets of numbers will give us a quick feel for how well operations are going. Following the lines across the statement, we see several pieces of useful information--current month, year to date and percent of sales for each.

Let's look at them from the bottom up, concentrating on the key questions you should have--and the answers.

TABLE 1

SAMPLE STATEMENT OF INCOME AND EXPENSE

GROSS INCOME:	CURRENT MO	PCT	YEAR TO DATE	PCT
301 SALES	157,700.00		335,500.00	
401 COST OF SALES				
BEGINNING INVENTORY	110,000.00		131,000.00	
PURCHASE OF GOODS	69,000.00		117,000.00	
LESS ENDING INVENTORY	138,000.00		138,000.00	
TOTAL COST OF SALES	41,000.00	26.0	110,000.00	32.8
GROSS PROFIT FROM SALES	116,700.00	74.0	225,500.00	67.2
ACTIVITY REVENUE				
501 FACILITY USE CHARGES	16,000.00		33,000.00	
502 DUES--ASSESSMENTS	700.00		1,700.00	
TOTAL ACTIVITY REVENUE	16,700.00	10.6	34,700.00	10.3
GROSS INCOME BEFORE EXPENSES	133,400.00	84.6	260,200.00	77.6
OPERATING EXPENSES				
PERSONNEL EXPENSE				
701 PAYROLL	78,700.00		161,800.00	
70X FICA, GROUP INS, ETC	8,200.00		13,800.00	
71X OTHER PERSONNEL EXPENSE	8,300.00		14,700.00	
TOTAL PERSONNEL EXPENSE	95,200.00	60.4	190,300.00	56.7
SUPPORT FUNCTION				
716 NAFFMB SERVICES	9,900.00		18,000.00	
71X CCPO/COMPUTER SERVICES	1,000.00		1,800.00	
TOTAL SUPPORT FUNCTION	10,900.00	6.9	19,800.00	5.9
MATERIAL RELATED EXPENSE				
720 SUPPLIES	4,500.00		9,000.00	
723 MAINT & REPAIR	2,300.00		5,600.00	
7251 SPOILAGE & BREAKAGE	700.00		1,100.00	
TOTAL MATERIAL RELATED EXP	7,500.00	4.8	15,700.00	4.7
ENTERTAINMENT EXPENSE				
751 ENTERTAINERS	300.00		400.00	
759 FOOD/BEVERAGES/PRIZES	2,700.00		5,000.00	
TOTAL ENTERTAINMENT EXPENSE	3,000.00	1.9	5,400.00	1.6
OTHER OPERATING EXPENSE				
784 UNCOLLECTIBLE ACCOUNTS	250.00		450.00	
786 UNCOLLECTIBLE CHECKS	500.00		1,000.00	
788 UTILITIES	3,700.00		7,600.00	
TOTAL OTHER OP EXPENSE	4,450.00	2.8	9,050.00	2.7
TOTAL OPERATING EXPENSE	121,050.00	76.8	240,250.00	71.6
RESULTS OF OP BEFORE DEPREC	12,350.00	7.8	19,950.00	5.9
DEPRECIATION/AMORTIZATION				
79X DEP - FURN/FIXTURES/FACIL	26,500.00		52,500.00	
TOTAL DEPRECIATION/AMORT	26,500.00	16.8	52,500.00	15.6
RESULTS OF OP AFTER DEPREC	-14,150.00	-9.0	-32,550.00	-9.7
OTHER INCOME				
80X DONATIONS/MISCELLANEOUS	8,600.00		26,000.00	
830 GRANTS	3,600.00		3,600.00	
850 REIMBURSEMENTS	1,600.00		3,300.00	
TOTAL OTHER INCOME	13,800.00	8.8	32,900.00	9.8
OTHER EXPENSE				
906 CASH OVERAGE/SHORTAGE	95.00		161.00	
TOTAL OTHER EXPENSE	95.00	.1	161.00	.0
NET INCOME/LOSS	-445.00	-.3	189.00	.1

NOTE: NUMERIC CODES SHOWN IN THE FAR LEFT COLUMN ARE GENERAL LEDGER ACCOUNT CODES. A COMPLETE LISTING IS AT APPENDIX A.

Assume our goal is to make a modest profit.

Question one: Did we make a profit?

For the answer, we go to the bottom of the statement and see:

NET INCOME/LOSS	-445.00	-.3	189.00	.1
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We lost money this month. Even though we show a small profit for the year, we should be looking for reasons. We'll do this as we move up the statement.

Question two: How'd we do compared to established goals?

Remember, we said it's perfectly acceptable to lose money under certain conditions. Our actual Return on Sales ratio (shown as -.3 for the current month) could be OK--our goal could be for a loss, breakeven or modest profit. Assuming our goal was to make a modest profit, however, we didn't meet it here.

Question three: Why didn't we reach our goal?

Note that so far we've only looked at the bottom line. We'll look upward for this answer. Our next two important lines:

TOTAL OPERATING EXPENSES	121,050.00	76.8	240,250.00	71.6
RESULTS OF OP BEFORE DEPREC	12,350.00	7.8	19,950.00	5.9

The Operating Cost Coverage ratio is shown as a percent on the "Total Operating Expenses" line. We used a higher percentage of revenues for these costs in the current month (76.8 percent) than year to date (71.6 percent). There are probably several reasons for this--your MWR Chief will have them, so ask.

Note, too, the higher current month results before depreciation (7.8 percent vs 5.9 year to date). This may imply higher gross profit in the current period. We'll look at this in a moment.

Question four: Is there a problem with any specific expense?

As we move up to our next dotted line, we should look at each category of expense to see if there are significant increases or decreases. Note possible questions in Entertainment and Support expenses--we should question the MWR Chief accordingly.

Question five: How much did we make before expenses?

Let's enter the revenue area of the statement for this answer.

GROSS INCOME BEFORE EXPENSES	133,400.00	84.6	260,200.00	77.6

This line includes both Sales and Activity Revenue (dues and charges). The percentages give us the Profit Margin ratio. In reality, this is the line that pays for operating expenses. After all was said and done, we had 84.6 percent of sales to cover expenses (77.6 year to date). Note that we had an increase in gross income for the current month. This more than offset the small increases in operating expenses.

Question six: How much did we make from sales?

To answer this one, we move up to our last underlined numbers.

GROSS PROFIT FROM SALES	116,700.00	74.0	225,500.00	67.2

These figures give us the Gross Profit ratio, the percentage of sales available to cover operating costs (74 percent for the current month). We didn't have enough to cover operating expenses, but other activity revenues enabled us to make \$12,350 before depreciation. Overall, not bad.

Well, that's a quick tour through the Operating Statement. By keying on five sets of numbers, we've seen that there are four ratios (or tools) provided: Return on Sales, Operating Cost Coverage, Profit Margin and Gross Profit. We also asked six questions and either answered them or got enough information to ask smart questions of our MWR Chief.

In our example, we wanted to make a modest profit. We didn't. We need to understand what drives our operating goals before we go any further.

Important Goals

If it were simply a matter of profit, we could quickly evaluate how well (or poorly) we're doing. We have to consider Air Force guidelines, though, before we can determine what's good or bad (Appendix B lists Air Force MWR publications).

A look at the Central Base Fund NAFI illustrates this point. While we'll look specifically at Central Base Fund activities, there are also specific goals for the other NAFIs. These are intended to insure continued operations, required replacement and capital improvements.

TABLE 2

GUIDE FOR MWR ACTIVITY FINANCIAL OBJECTIVES

INCOME-GENERATING PROGRAMS

Central Base Fund activities may generate NAF income to support their operations and assist activities that generate either insufficient or no income. The host unit support commander decides which programs will generate excess income, break even or absorb losses. Programs include:

Arts and Crafts Centers (and related activities)
Bowling Centers (snack bars, related activities)
Child Care Centers (includes preschools)
Golf Courses (and related activities)
Outdoor Recreation (and related activities)
Veterinary Services (reimbursable by patrons)
Dental Clinic (reimbursable by patrons)
Youth Activities (and related activities)

NON-INCOME-GENERATING PROGRAMS

Central Base Fund activities listed below will not usually generate income. They are supported by income generating programs, appropriated funds or a combination of the two. They may operate programs (i.e., bingo, snack bars, etc.), however, which generate income. Programs include:

Athletic Programs (facilities and activities)
Library Programs
Recreation Centers (and related activities)
Parks, Recreation Trails
Other Non-Income-Generating CBF Activities

NOTE: This list is not all-inclusive. Military General Welfare and Recreation Activities are usually under the Central Base Fund (CBF) NAF instrumentality at base level. Commanders should make sure that their annual appropriated fund budgets and financial plans provide support to CBF and other MWR activities consistent with funding availability and Air Force and MAJCOM policies.

Table 2 shows that profit isn't the only thing to consider when evaluating operational performance. We've already said that our main goal is to provide leisure time activities for the morale and well-being of our people. To do this, we offer some programs that "lose" money, as long as the overall NAFI operates "in the black."

Central Base Fund activities are either "Income-Generating" or "Non-Income-Generating" operations. Base Commanders decide the programs which generate or absorb income. Activities which do not generate income will be supported by those which do and/or by appropriated funds.

Major Air Commands (MAJCOMs) set more specific goals for operational performance of NAFIs. These goals usually follow the percentages or ratios discussed in our survey of the Operating Statement.

TABLE 3

ANNUAL FINANCIAL GOAL EXAMPLES

Central Base Fund - Following goals assume annual APF support of \$147,500.

A. Consolidated Financial Goals:

1. Repay \$400 per month for bowling center loan.
2. Make \$12,200 through operations by the end of the fiscal year for purchase of new capital assets.
3. Make \$7,900 through operations by the end of the fiscal year to replace unserviceable property.
4. Obtain \$820,000 grant from USAF for construction of a tennis court and child care center.
5. Generate sufficient income to repay loans, finance capital requirements and preserve working capital.
6. Increase total resale inventory by \$5,500.
7. etc.

B. Operational Financial Goals:

1. Golf Course. Provide \$35,200 net income from operations to support consolidated financial goals.
 - (a) Pro Shop. Provide \$4,700 net income and maintain 25 percent gross profit from sales.
 - (b) Snack Bar. Provide \$4,800 net income and maintain 51 percent gross profit from sales.
 - (c) Course. Provide \$45,700 net income and maintain current user charges.
2. Library. Reduce prior year operating loss by \$2,700 in support of consolidated financial goals.
3. etc.

Given Air Force and MAJCOM goals, Table 3 illustrates how bases set their own financial goals. Note that the base goals assume \$147,500 APF support. We'll talk more about the importance of APF support in chapter five.

The point is that it's just not possible to evaluate operational performance unless we know both how to quickly evaluate information from financial statements and what Air Force, MAJCOM and local goals we must meet. Your MWR Chief has this information.

Bottom Line

As the Base Commander, you must provide MWR programs that both enhance morale and operate efficiently. If you can pick out key numbers from financial statements and evaluate them in the light of Air Force, MAJCOM and local goals, you can tell if they're efficient.

If efficient, you've got half the battle won. If not, you will at least know what key questions need answering and who can give you the answers--your MWR Chief.

That's the key to programs which enhance morale.

CHAPTER FOUR

FINANCIAL HEALTH QUESTIONS

Some Preliminary Words

Our next statement lays out **assets, liabilities and equity**. It's a statement of what is owned and who owns it. **Assets** are things which can be owned. **Liabilities** show the extent of outside ownership of assets and **equity** shows the extent of inside ownership of assets. Thus, the old accounting formula:

$$\text{Assets} = \text{Liabilities} + \text{Equity}.$$

The Statement of Financial Condition gives us a measure of the financial health of a NAFI. While knowing who owns the assets is a big part of determining financial health, there are several other bits of useful information included.

Remember it's just a list of things (assets) and who owns these things (liabilities and equity).

Financial Health Questions

Aside from telling us who owns what, the Statement of Financial Condition provides answers to several questions. Remember, the information is as of a specific **point** in time. The Statement of Income and Expense covered a specific **period** of time.

Our Sample Statement of Financial Condition is once again in the prescribed Air Force format (Table 4). We'll continue to use the dotted line method to focus on the important numbers. We'll also refer back to the Statement of Income and Expense for some answers.

The format shows both **Current Month** and **Prior Month** balances, with a **Net Change** for key numbers.

Let's get on with the questions--and answers!

TABLE 4

SAMPLE STATEMENT OF FINANCIAL CONDITION

ASSETS			
CURRENT ASSETS:	CURRENT MO BAL	PRIOR MO BAL	NET CHANGE
CASH			
101 CASH IN BANK	175,000.00	178,000.00	
105 CHANGE FUND	2,300.00	2,300.00	
1051 PETTY CASH IMPREST FUND	1,100.00	1,150.00	
TOTAL CASH	178,400.00	181,450.00	-3,050.00
MARKETABLE SECURITIES			
109 INTEREST BEARING DEPOSITS	75,000.00	75,000.00	0.00
RECEIVABLES			
111 ACCOUNTS RECEIVABLE	43,900.00	45,800.00	
1114 CLAIMS RECEIVABLE	2,400.00	2,400.00	
TOTAL RECEIVABLES	46,300.00	48,200.00	-1,900.00
PREPAYMENTS			
130 PREPAID EXPENSES	500.00	400.00	
1301 PREPAID SUPPLIES	200.00	150.00	
TOTAL PREPAYMENTS	700.00	550.00	150.00
INVENTORIES AND INVESTMENTS			
161 INVENTORY IN STOREROOM	87,000.00	86,000.00	
162 INVENTORY IN SALES OUTLET	51,000.00	49,000.00	
TOTAL INVENTORIES & INVEST	138,000.00	135,000.00	3,000.00
TOTAL CURRENT ASSETS	438,400.00	440,200.00	-1,800.00
FIXED ASSETS:			
PROPERTY, PLANT & EQUIPMENT			
181 DEPREC ASSETS - EQUIPMENT	2,246,900.00	2,147,100.00	
182 ACCUM DEPREC - EQUIPMENT	741,600.00	715,100.00	
185 CONSTRUCTION IN PROGRESS	84,925.00	164,590.00	
TOTAL FIXED ASSETS	1,590,225.00	1,596,590.00	-6,365.00
TOTAL ASSETS	2,028,625.00	2,036,790.00	-8,165.00
LIABILITIES			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE			
201 ACCOUNTS PAYABLE	80,100.00	86,100.00	-6,000.00
SALARIES AND WAGES PAYABLE			
205 FED TAX WITHHOLDING	6,200.00	6,100.00	
207 SOCIAL SECURITY TAX	2,700.00	2,650.00	
TOTAL SALARIES/WAGES PAYABLE	8,900.00	8,750.00	150.00
OTHER CURRENT LIABILITIES			
227 ACCRUED MAINTENANCE	1,750.00	1,500.00	
232 UNEARNED INCOME	11,300.00	10,500.00	
245 CURRENT LOAN PAYABLE	29,180.00	32,100.00	
TOTAL OTH CURRENT LIABILITIES	42,230.00	44,100.00	-1,870.00
TOTAL CURRENT LIABILITIES	131,230.00	138,950.00	-7,720.00
LONG TERM LIABILITIES			
251 LONG TERM LOAN PAYABLE	322,100.00	322,100.00	0.00
TOTAL LIABILITIES	453,330.00	461,050.00	-7,720.00
FUND EQUITY			
290 FUND EQUITY--PRIOR YEARS	1,575,740.00	1,575,106.00	
291 NET INCOME--CURR YEAR	-445.00	634.00	
TOTAL FUND EQUITY	1,575,295.00	1,575,740.00	-445.00
TOTAL LIABILITIES & FUND EQUITY	2,028,625.00	2,036,790.00	-8,165.00

Question one: Can we afford to pay our current bills?

"Current" in accounting language means something we expect to pay or collect within one year.

The answer to this question lies in the two lines shown below.

TOTAL CURRENT ASSETS	438,400.00	440,200.00	-1,800.00
TOTAL CURRENT LIABILITIES	131,230.00	138,950.00	-7,720.00

We use our Current and Quick ratios here. Dividing Total Current Assets by Total Current Liabilities gives the Current ratio (3.3 to 1 for the current month). This means we have \$3.30 of Current Assets for each \$1.00 of Current Liabilities.

The Quick ratio subtracts inventories, prepaid expenses, petty cash and change funds from Current Assets before dividing by Current Liabilities (we wouldn't use these accounts to pay our bills, anyway). Our Quick ratio is 2.3 to 1 this month.

It sure looks as if we can pay our current bills, doesn't it? Business and academic opinion seems to lean toward minimums of 2 to 1 for the Current ratio and 1 to 1 for the Quick ratio. Air Force or MAJCOM goals for these ratios might be higher or lower, so make sure your MWR Chief lets you know what they are.

Now let's see how we look on total debt.

TOTAL ASSETS	2,028,625.00	2,036,790.00	-8,165.00
TOTAL LIABILITIES	453,330.00	461,050.00	- 7,720.00

Question two: How do we look on total debt?

Total Liabilities divided by Total Assets gives us the Debt ratio, a measure of creditor ownership of assets. We show about 23 percent for both this month and last month. The "rule of thumb" maximum is about 50 percent--that is, creditors owning half of our assets. We're certainly OK here.

Note the converse here is that if creditors own 23 percent of our assets, our equity (ownership) is 77 percent.

Our next question looks at Inventories and Cost of Sales.

TOTAL INVENTORIES	138,000.00	135,000.00	3,000.00

TOTAL COST OF SALES Current Mo	41,000.00	YTD 110,000.00	

Question three: Are we maintaining good inventory levels?

Inventory Turnover measures how often the inventory is sold in a given period. Besides the costs to store inventories, they also tie up capital. We want enough to operate, but not so much that it costs more than it's worth. Dividing Cost of Sales by Total Inventories for the current month shows Inventory Turnover of .3. We are selling our inventory about once every three months.

Before we can say whether this is good or bad, we need to know how long our pipeline is, whether we've had seasonal buys or if we've got some stock that's dying on us. For most merchandising concerns, Inventory Turnover of about once a month is good. We are not moving the inventory very fast, so it's probably a good idea to get some answers from your MWR Chief.

Now, let's look at Accounts Receivable and Sales.

111 ACCOUNTS RECEIVABLE	43,900.00	45,800.00

301 SALES	157,700.00	335,500.00

Question four: Any problems collecting Accounts Receivable?

Accounts Receivable Turnover measures how old our receivables are. Time is money, so we want to collect what people owe us in a reasonable time. Dividing Accounts Receivable by our average daily credit Sales gives us this measure.

Since credit sales aren't broken out, we'll ask our MWR Chief to give us the information. He tells us the daily average is about \$900. Dividing this amount into current month Accounts Receivable gives us an average age of about 49 days. This means that, on average, our people pay about seven weeks after getting billed.

We need to look further at delinquent account information to decide whether or not we're OK here. Do we have a few delinquents who drive up the average? Are we aggressively acting to collect, including involuntary collection through the Accounting and Finance Office? Your MWR Chief knows the answers. If the problem is serious enough, you might want to take direct action through unit orderly rooms.

There are some other numbers on our statement we need to be aware of.

201	ACCOUNTS PAYABLE	80,100.00	86,100.00	-6,000.00
232	UNEARNED INCOME	11,300.00	10,500.00	
245	CURRENT LOAN PAYABLE	29,180.00	32,100.00	
251	LONG TERM LOAN PAYABLE	322,100.00	322,100.00	0.00

Question five: Any other things we should know about?

Yes! Keep an eye on the monthly changes in Accounts Payable. We had a \$6,000 decrease this month, on the surface a good sign. Large swings in this account may signify trouble. Just watch changes and ask your MWR Chief to explain once in a while.

What's Unearned Income? Generally, this account includes annual dues, advance receipts for tours, etc. It's included under liabilities because the accountants say that, until we've provided the service or product, it's a liability. It's like, if the gym burned down, we'd have to refund advance annual locker fees. We recognize revenue from this account as each month passes.

The Current Loan Payable account includes this year's portion of the Long Term Loan Payable (remember how we defined "current"?). Just note that we're paying about \$2,900 a month on a long term loan which, judging by its balance, won't be paid up for about 10 years. Something to be aware of.

That pretty well covers the important Financial Health numbers. We looked at five ratios: Current, Quick, Debt, Inventory Turnover and Accounts Receivable Turnover. If any of these were unacceptable, we would want our MWR Chief and the MWR finance people to give us more detailed reasons why.

We're not quite ready to leave the Balance Sheet yet.

Relationship to Operating Statement

Let's look at two accounts--one from the Statement of Income and Expense, the other from the Statement of Financial Condition.

NET INCOME/LOSS	-445.00	-.3	189.00	.1
291 NET INCOME--CURR YEAR	Current Mo	-445.00	Prior Mo	634.00

There is a direct relationship between the two financial statements we've discussed. Results of operations go directly to the Fund Equity section of the Balance Sheet. Since equity represents our ownership of fund assets, it follows that transfers of income increase assets--loss transfers decrease assets.

It's important, too, that we understand the difference between cash flow and income flow. We show **Results of Operation Before Depreciation** because this line is the cash part of income. It is common to view depreciation as a non-cash expense, irrelevant to operational evaluation. The theoretically correct view, however, is that depreciation must be considered an operational expense because it reflects assets consumed in operations.

The Air Force position seems to be clear. It is net income after depreciation which we see transferred to equity accounts. In operations, however, we concentrate on cash impact, since cash flow is important to continued operations.

The Point

Understanding the relationship between our financial statements is important. Knowing how to use measurement ratios to analyze financial statements helps us understand this relationship. Our NAFIs get financially healthy through effective operations.

If we're financially healthy, we can invest in replacement of worn or outdated assets. We can also expand and improve programs to meet leisure time needs of our people.

If, on the other hand, we're not financially healthy, we can't do these things no matter how much they're needed.

The point? Knowing if we're financially healthy or not can make a big difference in doing the right thing to get programs on track. That's what these two chapters have been all about.

CHAPTER FIVE

SUPPORT QUESTIONS

Setting the Tone

Our discussion of the Statement of Income and Expense included appropriated support--more importantly, that setting operating goals begins with a baseline of appropriated fund (APF) support. Assume our sample statement was for a NAFI which received APF support averaging \$16,000 each month. If that APF support had not been forthcoming, our loss would have been \$16,445 instead of \$445.

Transfer of losses to the Statement of Financial Condition decreases assets. So, the higher our losses, the more quickly we deplete assets. This is an overly simplistic view, but it does illustrate the importance of APF support.

Balance between APFs and NAFs is also important. The Statement of Financial Condition can tell us how much NAFs can contribute in the form of Working Capital. One good approach is this formula (using our sample numbers):

Current Assets - Current Liabilities = Working Capital

\$438,400 - \$131,230 = \$307,170

We then look at what we plan to do with Working Capital. We're probably committed to pay for new/replacement equipment or other projects. Once again, your MWR Chief will have these figures.

The trick is to find the right balance between Working Capital (NAF) and APF support. We need to understand the rules to get this balance.

Categories of Activity

Air Force NAF activities are categorized by type to help decide to support or not with APFs or NAFs. Look at Table 5 for a concise summary of these categories. We see eight categories, a brief explanation of each and types of MWR activities conducted.

TABLE 5

CATEGORIES OF MWR ACTIVITIES

<u>CATEGORY & TITLE</u>	<u>EXPLANATION OF CATEGORY</u>	<u>TYPES OF MWR ACTIVITIES</u>
I Armed Services Exchanges	Provide through exchanges: (a) reimbursable goods/services to authorized patrons, and (b) funds to support other designated MWR programs.	Exchange operations.
II Other Resale & Revenue-Sharing	Provide other than through exchanges: (a) reimbursable goods/services to authorized patrons, and (b) funds to support other MWR programs.	Audio club, Class VI stores, Cadet restaurant, etc.
III Military General Welfare & Recreation	Provide welfare and recreation programs for military personnel. Category III-A provides NAF support to category III-B. Category III-B is divided into three groupings for funding support and will not be operated as separate NAF instrumentalities.	III-A Hq USAF, MAJCOM, Installation, Unit Morale, General Welfare and Recreation funds. III-B Group 1: Libraries, sports, recreation centers, remote unit free movies, Armed Forces entertainment, unit programs. Group 2: Arts & Crafts, entertainment, outdoor recreation, swimming pools, youth activities, competitive sports, child care, marinas, Bowling (six lanes). Group 3: Bowling (more than six lanes), movies (paid admission), bingo, golf, skating, pro shops, snack bars, skeet/trap ranges, Armed Forces recreation centers.
IV Civilian Employee General Welfare & Recreation	Provide welfare and recreation programs for civilian personnel.	Civilian employee general welfare and recreation funds and activities.
V Open Messes	Provide messing and essential feeding where required; also social programs, services and facilities to membership groups.	Hq USAF and MAJCOM open mess funds. OOM, NCOOM, consolidated open mess; food, bar, catering, bingo, etc.
VI Other Membership Associations	Provide morale programs, services and facilities (other than open messes) to special interest groups. Sales only to members; revenues neither provided to or received from other NAFIs.	Aero, amateur radio, boating, scuba, community TV, parachute/skydiving, motorcycle and others which do not duplicate category III-B.
VII Common Support Service NAFIs	Consolidated accounting, procurement or personnel services.	NAF Financial Management Branch, Civilian Personnel, etc.
VIII Supplemental Mission Services	Adjunct services to training, health, billeting, other mission support programs.	Academy dining hall, billeting/housing, chaplain, animal care funds.

TABLE 6

AUTHORIZED APPROPRIATED SUPPORT TO MWR

<u>ELEMENT OF EXPENSE</u>	<u>AUTHORIZED CATEGORIES</u>
MILITARY/CIVILIAN PERSONNEL	All: per AFM 26-3.
TRAVEL OF PERSONNEL	All: PCS/TDY--appropriated personnel; TDY for NAF personnel on appropriated business.
TRANSPORTATION OF THINGS	
Appropriated Fund purchases.	All: Transoceanic/inland.
NAF purchases	All: Transoceanic for US goods; first dest inland.
Household Goods--For authorized transportation.	All: Transoceanic only for NAF personnel.
UTILITIES AND RENTS	
Utilities.	All: Outside COMUS. COMUS: <u>III</u> (a,B1,B2), <u>IV</u> (libraries/child care/etc), <u>V</u> enlisted/essential feeding, others uneconomical to estimate.
Rents.	All: Not authorized except with SAF approval.
COMMUNICATIONS	All: Electronic/postal official business.
EQUIPMENT MAINTENANCE	
Authorized appropriated fund equipment.	All: Include items purchased with NAFs.
PRINTING AND REPRODUCTION	All: Except resale or internal operation costs.
OTHER SERVICES	
Education and training.	All: For appropriated employees; NAF employees pay.
Auditing.	All: per AFR 175-4.
Data Automation and Financial Management Services.	All: For command supervision and surveillance.
Legal services.	All: For Judge Advocate services.
Base Contracting Office.	All: Assistance; no-cost administration.
Custodial and janitorial services.	<u>III</u> (A,B1,B2), <u>VII</u> , <u>III</u> (B3) only for non-MWR purposes, <u>V</u> for enlisted/essential feeding.
Audiovisual services.	<u>III</u> except resale, <u>V</u> essential feeding, all others command supervision/financial management.
Common services.	All: To protect health/welfare and MWR resources.
Trophies and awards.	All: Mission accomplishment/other authority.
Minor construction.	All: per AFR 86-1.
Maintenance/repair.	All
AIRCRAFT PETROLEUM, OIL AND LUBRICANTS (POL)	<u>VI</u> may purchase per AFR 144-12.
SHIP PETROLEUM, OIL AND LUBRICANTS (POL)	<u>III</u> may purchase on reimbursable basis.
OTHER SUPPLIES	<u>III</u> except resale; <u>IV</u> , <u>V</u> essential feeding; others command supervision/financial management.
EQUIPMENT	<u>III</u> except resale; <u>V</u> essential feeding; <u>VII</u> command supervision; others only excess/surplus.
OTHER OPERATING EXPENSES	All: For command supervision.
NONOPERATING EXPENSES	
Architectural and Engineering services.	All: Appropriated/NAF projects.
Military construction/purchase of real property.	All: As approved by Congress.
Investment equipment.	<u>III</u> except for resale; <u>V</u> for essential feeding; <u>VII</u> for command supervision; others only excess/surplus equipment.

Table 6 shows authorized APF support by element of expense for various NAF categories. A quick survey of these two tables reveals some basic facts about APF support. Generally:

1. Support is provided for non-income-generating Central Base Fund activities.
2. Support is provided for essential feeding facilities in open messes.
3. Support is provided for mission reasons and/or command supervision/surveillance.
4. Support is limited for income-generating, resale and/or internal NAF activities.

Both of these tables were summarized from lengthy information in AFM 172-1. They are factually and conceptually correct, but do not cover every possible option. Use them to open doors for increased APF support to your MWR activities.

Relationship Between Mission and Support

We can see that appropriated support is somewhat discouraged for income-generating MWR activities, unless we can tie the level of support to mission requirements. This is a basic fact of life regarding MWR and APF support: commanders must be aware of MWR mission contributions to fully capitalize on APFs.

Commanders must get authorized APF support to make sure we expend only necessary NAFs. Otherwise, we deplete NAF assets and, ultimately, either charge higher prices or offer fewer programs for our people.

The outlook is for less APF availability in the coming years. Congress has issued instructions to limit support to some MWR activities. A recent Air Force Times informs us that the House Armed Services Readiness Subcommittee's Morale, Welfare and Recreation Panel "has told the Air Force to charge members more for using facilities such as bowling centers and golf courses."

In this environment, it's pretty important to be smart about our MWR mission contributions. Do we task MWR for contingencies or planned deployments? Do we use MWR resources to support direct mission activities? If so, we can tie APF support to a pretty good foundation.

Appropriated Fund Support

We've established some general rules for appropriated support to MWR and shown the relationship between mission and that support. Let's go back to Table 6 and get specific about kinds of support authorized.

APFs can be used to buy:

- Bats, balls, gloves, uniforms, etc. for athletic programs.
- General supplies for all Category III activities.
- Walk-in refrigerators, stoves, dishwashers, etc. for your essential feeding facilities in open messes.
- Scoreboards and other equipment for outdoor fields/courts and gymnasiums.
- Equipment for playgrounds, youth activities, child care development, etc.

A lot of supplies and equipment! We can also use APFs to:

- Hire lifeguards for our swimming pools.
- Furnish and decorate new or renovated facilities.
- Keep MWR APF civilian positions filled.
- Refinish raquetball/basketball courts.
- Provide custodial services for MWR facilities.

We could go on. . .and on. We can provide a lot of support to MWR with APFs. For a more detailed look, see AFM 172-1 and AFR 215-5. Better yet, ask your MWR Chief and Comptroller.

Appropriated Fund Budget

We can provide a lot of support to MWR. As with every element of your staff, though, the requirements must be included in the budget. Ask your MWR Chief to show you the appropriated budget submission. If MWR isn't asking for the bucks, make sure they get with the budget folks.

Tie MWR mission contributions directly to requests for those appropriated dollars. It's much easier to justify a mission need than "business" or resale requirements. Even with large construction requests, you'll find it helpful to know how the facility fits in with the mission. Appendix C shows funding policy for MWR facilities.

Speaking of facilities, your Civil Engineer and MWR Chief should be the best of friends. A good relationship here will make the difference in getting appropriate (and appropriated) support for MWR facilities. Everyone benefits.

Finally, make sure the appropriated budget gets year-round attention from your MWR people. Just because initial funding distribution doesn't cover all requirements doesn't mean we give up for the year. The MWR outfit that's ready to go with a valid list of unfunded requirements will be well-supported.

Commander's Role

There's really only one question here:

Do we use APFs effectively to support MWR programs?

To answer this question, we need to know the general rules for APF support covered in this chapter. The commander who uses this knowledge to directly participate in support decisions will get optimum APF support.

We don't want more than we're entitled to, but we do want a fair share. With your help, we'll get it.

CHAPTER SIX

CONCLUSION

This guide has been developed for you--the base commander. We have shown you a little about how to read financial statements and key in on important numbers. We've also shown you how to use those numbers to get a feel for how well your base MWR programs are doing from a profitability standpoint. But, we've also shown you that Air Force MWR programs don't always have to make a profit to be successful. It's the MWR mission to make money only to the extent needed to give our people leisure time programs which enhance morale and mission effectiveness.

Using APF support and modest profits we can invest in improved programs which, in turn, improve overall ability to perform our Air Force mission. So, even when faced with unexpected contingencies, we can look to well managed MWR programs to help the base commander get the job done. The better we perform in the financial end of MWR, the more help for the commander.

That's the key. This guide will help commanders save time and make better decisions for MWR. In turn, MWR will help maintain high morale and improve mission effectiveness.

Not a bad deal.

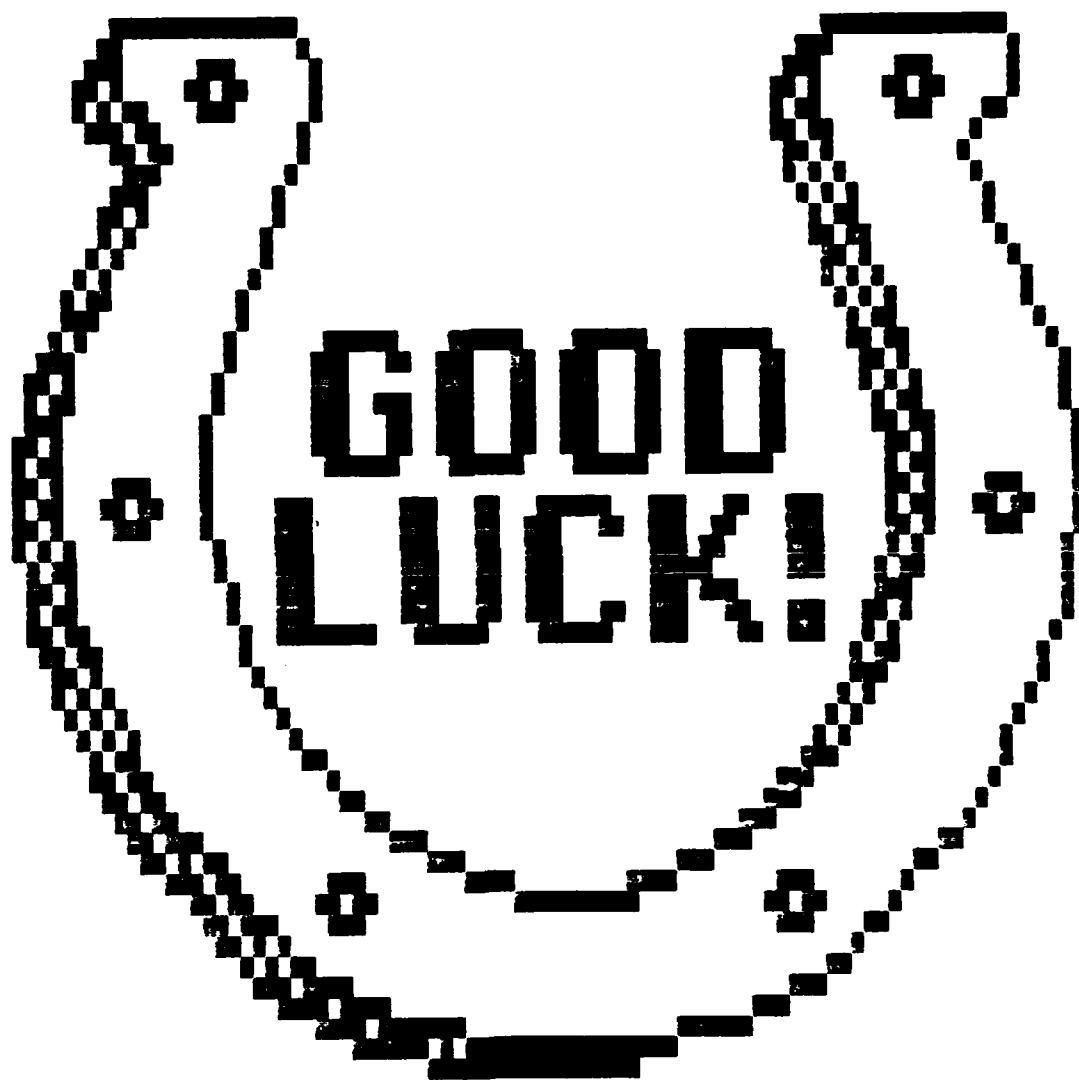
FINAL NOTE FOR COMMANDERS

You could use this guide alone--take the financial statements into your private office and do all the things we've talked about. You could do that.

But, you won't and shouldn't. You have a great MWR Chief just waiting for your questions--give that person a chance to shine!

Ask the questions. Better yet, show your MWR Chief this guide. You shouldn't be surprised if the MWR folks don't totally agree with everything in the guide. They'll have their own ideas to help you wade through the MWR financial world.

And that will turn out to be an even better deal!

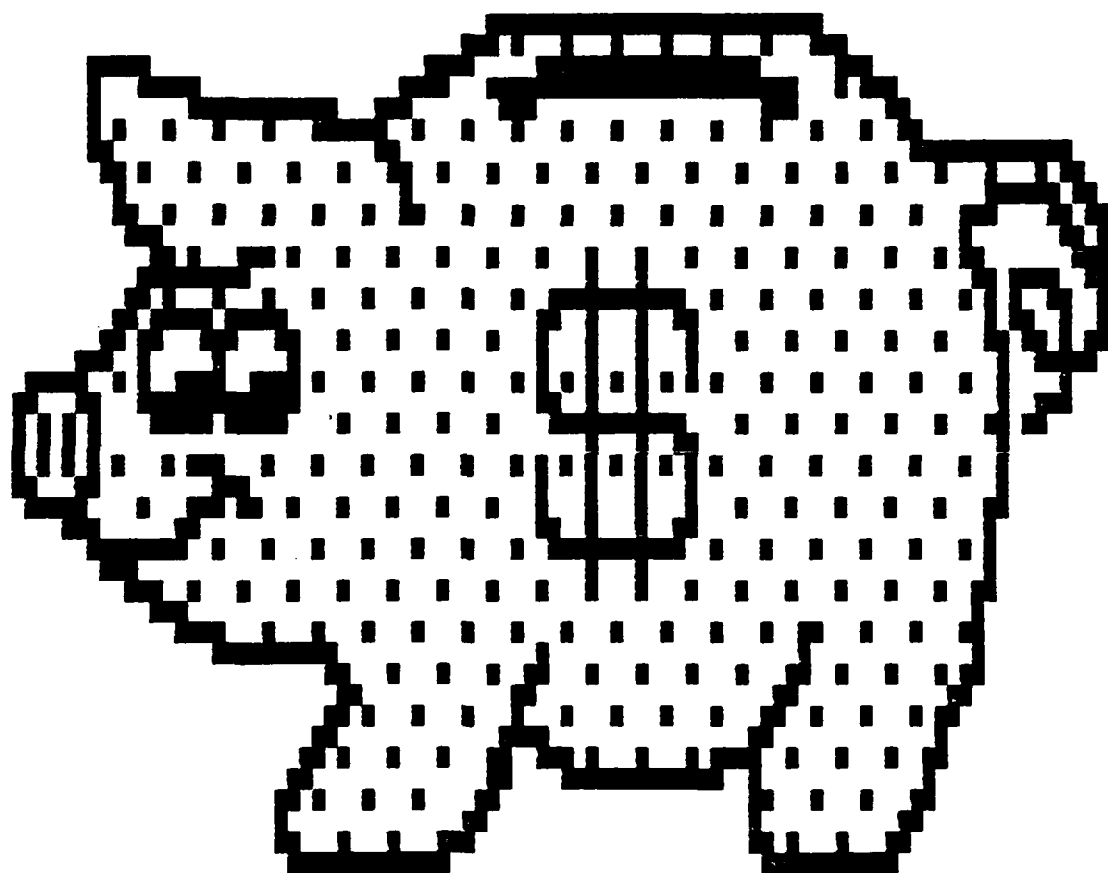


APPENDIX A

GENERAL LEDGER ACCOUNT CODES

<u>Account Number</u>	<u>Title</u>	<u>Account Number</u>	<u>Title</u>
101	Cash in Bank	290	Fund Equity--Prior Years
102	foreign Currency in Bank	291	Current Year Income/Loss
103	Capital Trust	301	Sales
104	Cash Deposits--Customer Charges	401	Cost of Sales
105	Change and Imprest Funds Issued	50X	Dues, fees and Other Revenue
109	Interest Bearing Deposits	701	Payroll
110	CIP Investments	702	Foreign National Payroll
111	Accounts Receivable	703	Employer's Share--FICA Tax
112	Returned Checks Receivable	704	Employer's Share--Foreign Tax
116	Loans Receivable	705	Employer's Share--Group Insurance
119	Allocations Receivable	706	Employee Benefits and Awards--US
120	Allowance for Bad Debts	707	Employee Benefits and Awards--Foreign
130	Prepaid Expenses	711	Severance Benefits
141	Deposits--Other	712	Retirement Benefits
161	Inventory in Central Storeroom	715	Other Personnel Expense
162	Inventory in Sales Outlets	716	NAFFMB Services
163	Inventory in Transit	717	CCPO Expenses
164	Inventory in Decentralized Storeroom	718	Computer Services
171	Investment--Severance Benefits	719	Credit Card Expense
181	Depreciable Assets--Furn & Equip	720	Supplies
182	Accumulated Depreciation--Furn & Equip	721	Aviation POL
183	Facilities and Improvements	723	Maint and Repair--Fund Owned
184	Accumulated Depreciation--Fac & Impr	724	Maint and Repair--Not Fund Owned
185	Construction in Progress	725	Other Material Related Expense
186	Capital Leases	751	Entertainers
191	Long Term Loans Receivable	759	Other Promotional Expenses
192	severance Benefits Receivable--NAFIs	783	Slot Machine Support Expense
193	Deposits in NAFFMB	784	Uncollectible Accounts
194	Long Term Prepaid Expenses	785	Reimbursable Management Expense
201	Accounts Payable	786	Uncollectible Dishonored checks
205	Federal Withholding Tax Payable	787	Telephones and telegraph
206	State and Local Taxes Payable	788	Utilities
207	FICA Withheld	789	Other Operating Expenses
208	Foreign Taxes and Assessments	790	Office supplies
209	Severance/Separation Benefits Payable	791	Laundry and Linens
210	Accrued Retirement Fund Payable	793	Rental charges
211	Bonds Payable	796	Interest Expense--Proapt Payment Act
212	Union Dues Payable	797	Vending Machine Income-Sharing Expense
213	Charity Deductions Payable	798	Depreciation--Furn & Fixtures
214	Tips Payable	799	Depreciation--Facilities & Improvements
215	Accrued Annual Leave Payable	802	Contributions and Donations
216	Group Health & Life Insurance Payable	804	Interest Income
217	Accrued Payroll	805	Allocations Received
218	Health/Medical Payable	806	Dividends Received
219	COLA Offset Payable	812	Miscellaneous Income
224	Allotments Payable	816	Severance Benefits Subsidy Received
225	Other Personnel Expenses Payable	833	Special Grants Received--operating
226	Vending Machine Income Sharing Payable	834	Special Grants Received--Constr/Equip
227	Accrued Maintenance	855	Dividends Received--Civ Pers Costs
232	Unearned Income	856	Dividends Received--Accounting Costs
241	Allocations Payable	902	Contributions and Donations
245	Current Portion of Long Term Loans Payable	906	Cash Overages and Shortages
246	Capital Requirements Loans	907	Slot Machine Distr to Welfare Funds
249	Other Current Liabilities	908	Air Force Assessments
251	Long Term Loans payable	909	Command Assessments
252	Capital Requirements Loans	910	Gain or Loss--Currency Exchange
253	Deposits From Other NAFIs	912	Miscellaneous Expense
270	Severance Payable--NAFFMB	933	Gain or Loss--Disposition of Assets
271	Long Term Severance/Separation Pay & Benefits	936	Gain or Loss--Currency Revaluation
276	Other Long Term Liabilities	961	Extraordinary Items
289	Declared Equity Distribution (Dividends)		

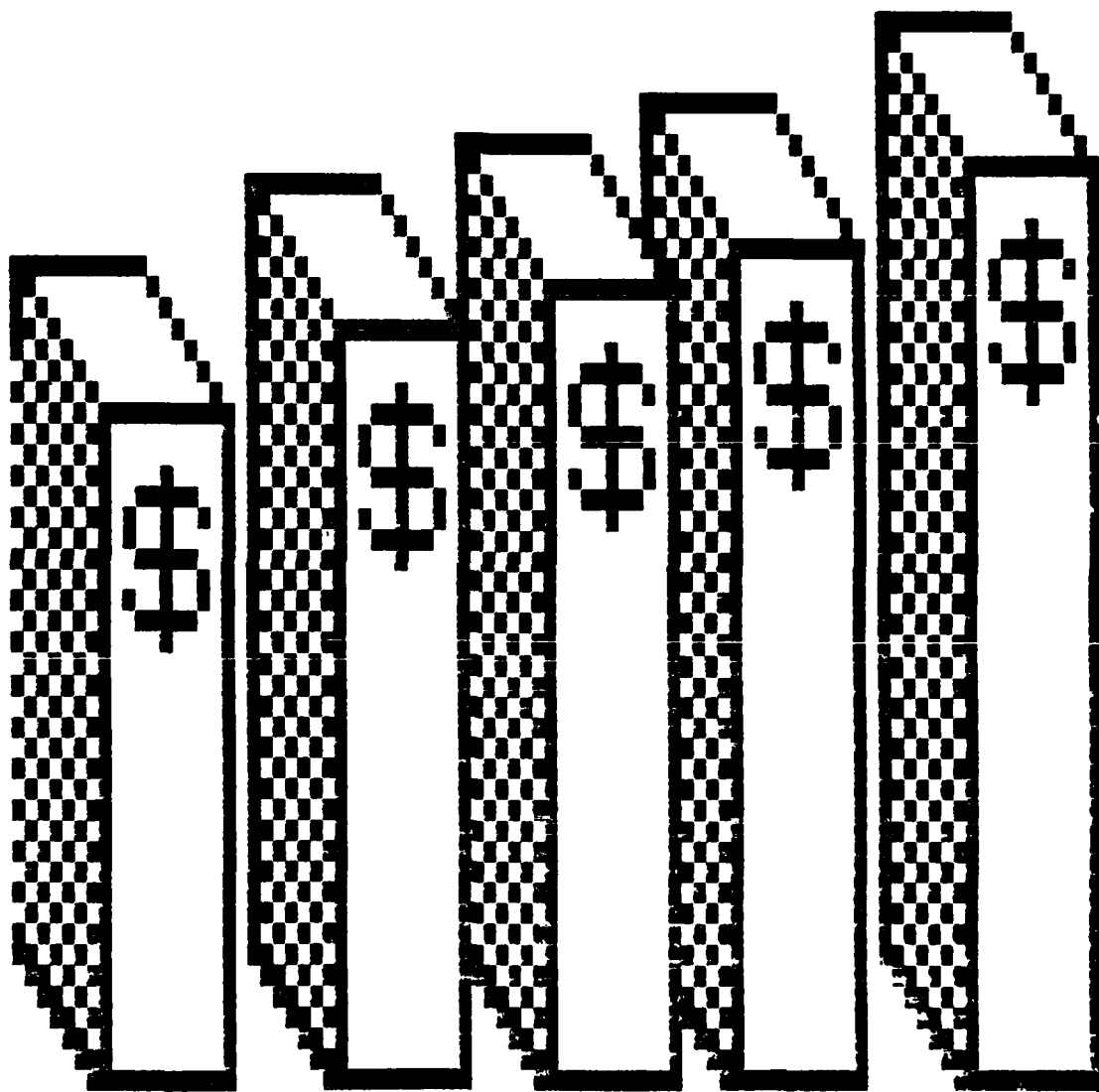
NOTE: FOR MORE DETAILED INFORMATION ON ACTUAL CONTENT OF ACCOUNTS, SEE AF MANUAL 176-10, ATTACHMENT 1.



APPENDIX B

MWR REGULATIONS AND PAMPHLETS

<u>NUMBER</u>	<u>TITLE</u>	<u>OPR</u>
PERSONNEL SERVICES REGULATIONS		
34-3	MWR Basic Responsibilities, Policies and Practices	AFMPC/MPCS
34-4	MWR Basic Responsibilities, Policies and Practices Private Organizations	AFMPC/MPCS
NONAPPROPRIATED FUNDS REGULATIONS		
176-1	Basic Responsibilities, Policies and Practices	AFWB
176-2	Financial Operations and Control of Assets	AFWB/C
176-3	Nonappropriated Fund Budgeting & Expenditure Control	AFWB/C
176-7	Participation by Army, Navy, Marine Corps and Air Force Organizations in Nonappropriated Funds	AFWB/C
176-9	Nonappropriated Fund Contracting (PA)	RDCL
176-10	Financial Operations and Accounting Procedures	AFMPC/MPCS
176-14	Civilian Nonappropriated Funds and Related Activities	MPKE
176-18	Chaplain Funds (PA)	HCB
176-22	International Balance of Payments Nonappropriated Fund Transactions	AFMPC/XSGC
176-24	Accounting Policy for Nonappropriated Funds	AFMPC/XSG
176-378	Standard Accounting Procedures for Nonappropriated Funds (Mechanized) Users Manual	DSDO/ACSB
176-676	Command-Level Standard Accounting Procedures for Nonappropriated Funds, Users Manual	DSDO/ACSA
MORALE, WELFARE AND RECREATION REGULATIONS		
215-1	Air Force Morale, Welfare and Recreation (MWR) Programs and Activities	AFMPC/MPCS
215-5	Appropriated Fund Support	AFMPC/MPCS
215-6	Morale, Welfare and Recreation and Transient Billeting Facility Requirements	AFMPC/MPCS
215-7	The Control, Procurement, Sale and Use of Alcoholic Beverages	AFMPC/MPCS
215-8	Morale, Welfare and Recreation (MWR) Activities - MWR Supply Support	AFMPC/MPCS
215-9	Interservice Photography Contest	DAAG-MS
215-10	Armed Forces Professional Entertainment Program Overseas	AFMPC/MPCS
215-11	Air Force Open Mess Program	AFMPC/MPCS
215-12	Air Force Aero Club Program	AFMPC/MPCS
215-13	Membership Clubs	AFMPC/MPCS
215-15	Air Force Library Service	AFMPC/MPCS
215-17	Arts and Crafts Program	AFMPC/MPCS
215-19	Air Force Golf Program	AFMPC/MPCS
215-20	Air Force Outdoor Recreation Program	AFMPC/MPCS
215-21	Recreation Center Programs (PA)	AFMPC/MPCS
215-22	Air Force Sports Program (PA)	AFMPC/MPCS
215-23	Air Force Youth Activities Program	AFMPC/MPCS
215-24	Air Force Competitive Recreation and Sports Activities	AFMPC/MPCS
215-25	Air Force Bowling Center Program	AFMPC/MPCS
215-26	Air Force Relations with Morale, Welfare and Recreation (MWR) Related National Agencies and Professional Organizations	AFMPC/MPCS
215-27	Child Development Program (PA)	AFMPC/MPCS
MORALE, WELFARE AND RECREATION PAMPHLETS		
215-3	Commanders' Guide to Morale, Welfare and Recreation Division	AFMPC/MPCS
215-4	Air Force Child Care Activities	AFMPC/MPCS
215-30	MWR Nonappropriated Fund (NAF) Facilities Requirements Programming	AFMPC/MPCS
215-31	MWR Kitchen Design Package Development	AFMPC/MPCS
215-33	Publicity Guide for the Morale, Welfare and Recreation Manager	AFMPC/MPCS
215-34	Morale, Welfare and Recreation Objectives	AFMPC/MPCS
215-35	Membership Promotional Program Guide	AFMPC/MPCS
215-37	Air Force Infant Care Guide	AFMPC/MPCS
215-38	Air Force Sports Program Guide	AFMPC/MPCS
215-39	Air Force Bowling Center Manager's Guide	AFMPC/MPCS
215-40	An Introduction to Marketing for Morale, Welfare and Recreation Managers	AFMPC/MPCS
215-41	Training Responsibilities, Policies and Procedures for Morale, Welfare and Recreation (MWR) Personnel (PA)	AFMPC/MPCS



APPENDIX C

FUNDING POLICY - CONSTRUCTION OF COMMUNITY FACILITIES

TYPE OF FACILITY	APPROPRIATED		NONAPPROPRIATED	
	CONUS	OVERSEAS	CONUS	OVERSEAS
Gymnasium/Field House/Physical Activities Complex	X	X		
Recreation Center/Day Room/Multi-Purpose Recreation Facility	X	X		
Multi-Purpose Auditorium/Theatre	X	X		
MNR Administrative Office/Supply Center	X	X		
Family Assistance/Service Center	X	X		
Child Care Center	X	X		
Swimming Pool	X	X		
Library	X	X		
Officers'/Enlisted Open Mess			X	X
Consolidated Open Mess		X	X	
Arts and Crafts/Automotive Self-Help Garage/Skill Development Centers		X	X	
Thrift Shops			Private Funds	
Playing Courts/Fields (as part of gym/field house/etc.)	X	X		
Playing Courts/Fields (stand alone)			X	X
Package Beverage Store/Rod and Gun Club/Aero Club			X	X
Temporary Lodging Facility/Guest House			X	X
Outdoor Recreation Pavillion/Cabin/Cottage/Recreation Site Lodge			X	X
Bowling Center/Youth Center/Golf Course Facility			X	X
Skating Rink (ice or roller)/Amateur Radio Facility/Bathhouse			X	X
Riding Stable/Camp Ground/Marina/Boathouse/Outdoor Theater/Bandstand			X	X

NOTE: Appropriated funds may be used for all community facility construction related to the establishment, activation or expansion of a military installation; relocation of facilities for the convenience of the government; replacement of facilities denied by country-to-country agreements; restoration of facilities destroyed by acts of God, fire or terrorism; and to correct life safety deficiencies.

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