

BMC Module 7 - Financial Management



IMPORTANT INSTRUCTIONS: Always use the 'EXIT COURSE' link in the upper right hand corner of the course window when exiting to save your progress!

Every MWR Manager holds responsibility for managing the financial resources of the activity or program. As a caretaker of these resources, a manager is accountable for using these funds wisely and efficiently operating MWR programs to provide quality services to our customers. However, funding for MWR programs is somewhat complex since it generally involves a combination of funding from two major sources: Appropriated Funds (APFs) and Nonappropriated Funds (NAFs).


Each funding source is a unique system and has its own implementation process. Balancing APF and NAF processes, operating programs efficiently, and making wise business decisions are tough tasks. It is crucial for MWR Managers to know how to apply the processes to maximize business results and return on investment. Since all business decisions require a certain degree of risk, it is important to understand these aspects of financial management within MWR to reduce the risk.

This module will provide the information necessary for a manager to make smart business decisions and apply the appropriate processes in the activity's day-to-day

operation. The module focuses on APF and NAF basics, the NAF accounting systems, and key NAF analysis and reporting tools.

Total hours anticipated to complete this module: approximately 6 hours.

LESSON 1 MWR APPROPRIATED FUNDING

 1.1 Overview


 1.2 APF Defined


 1.3 APF Budget Process



Lesson 1 Knowledge Check


LESSON 2 APPROPRIATED FUNDING STREAMS

 2.1 Overview

 2.2 Appropriated Funding Streams

 2.3 Other Appropriated Funding


 2.4 How APF's Are Tracked

 2.5 Uniform Funding and Management (UFM)



Lesson 2 Knowledge Check

LESSON 3: MWR NONAPPROPRIATED FUNDING

 3.1 Overview

 3.2 NAF Defined


 3.3 Sources of NAF Dollars


 3.4 The NAF Budget Process



Lesson 3 Knowledge Check

LESSON 4: MWR CATEGORIES

 4.1 Overview


 4.2 Family and MWR Categories

 4.3 NAF Exceptions



Lesson 4 Knowledge Check


LESSON 5: RESPONSIBILITIES FOR MANAGEMENT OF NONAPPROPRIATED FUNDS

 5.1 Overview

 5.2 Roles & Responsibilities of HQ IMCOM DFMWR in Managing NAF

 5.3 Responsibilities of DFAS Texarkana


 5.4 Role and Responsibilities of the Installation Fund Manager

 5.5 Role and Responsibilities of the Activity Manager



Lesson 5 Knowledge Check

LESSON 6: OVERVIEW OF NAF ACCOUNTING SYSTEM

 6.1 Overview


 6.2 The NAF Accounting System

 6.3 Standard NAFI Number





Lesson 6 Knowledge Check

LESSON 7: FINANCIAL STATEMENTS


 7.1 Overview

 7.2 Financial Statements

 7.3 Components of an Income Statement

 7.4 Net Sales

 7.5 Cost of Goods Sold (COGS)

 7.6 Gross Income From Sales


 7.7 Income From Other Activities

 7.8 Gross Income From Operations


 7.9 Operating Expenses


 7.10 Net Income From Operations

 7.11 Non-Operating Income and Expenses

 7.12 Net Income Before Depreciation

 7.13 Depreciation

 7.14 Net Income After Depreciation

 7.15 Total Revenue and Net Revenue

 Lesson 7 Knowledge Check

1.1 Overview

Financial management is an integral part of a manager's role. For a thorough understanding of financial management, managers need familiarity with financial goals, technical procedures, and the effects of budgeting. Just as important is understanding the broad organizational context in which appropriated funds (APF) budgets are prepared and executed.

At the end of this lesson, you will be able to:

- 1 Define the term "appropriated fund."
- 2 Explain the purpose of the Management Decision Package (MDEP).
- 3 Describe APF budget process.



CONTINUE

1.2 APF Defined

APF Defined

Appropriated funds (APF) are funds made available to the Department of the Army (DA) as a result of an Act of Congress that permits the DA to incur obligations and to make payments for specific purposes.

Appropriated funds are taxpayer dollars entrusted to the Army to conduct its activities. The funds are appropriated by Congress and become part of the President's yearly budget. APF dollars support Family and MWR both directly and indirectly.

CONTINUE

1.3 APF Budget Process

APF Budget Process

The budget process is a centralized process that begins with the activity manager's budget, which is then forwarded through a centralized chain that leads to the President's annual budget once the annual budget is passed by Congress and signed by the President, funding streams back through the organization to the activity.



The Process Begins

The APF budget process begins at the activity level. Each activity manager must identify funding required to operate the Family and MWR activity for the coming year by taking a hard look at current programs and performance and then factoring in needs and requirements for the budget year.

Managers must also identify any new requirements for the out years. Personnel requirements, projected demographic information, and future program needs must be analyzed, and the results converted into a dollar figure.

The manager must be able to justify the needs by explaining what the impact would be on the programs if they are not funded at the required level. Understand that if you, the activity manager, are not involved in this budget process, someone else is making these determinations for you.

The APF budget process begins at the activity level.

Step 1

Activity Manager

Each activity manager must identify the funding required to operate the MWR activity for the coming year.

Step 2

Reviewed by the DFMWR

The manager forwards this budget information through the division chief to the DFMWR. At this level, all the budgets from the Directorate are reviewed, trimmed if necessary, approved, and consolidated for submission to the office of the Director of Resource Management (DRM).

Step 3

Consolidated and Condensed by the DRM

The DRM manages the APF resources on the garrison for the commander. The DRM consolidates and condenses all the garrison's Command Budget Estimates (CBE) into the Program Objective Memorandum (POM). This is the Garrison Commander's estimate of the financial requirements needed to operate the installation during the budget year. This estimate is submitted to the IMCOM for further consolidation.

Step 4

Reviewed and Changed by the IMCOM

The IMCOM reviews each CBE, keeping in mind the mission of each garrison. The IMCOM also reviews the five-year projections for each garrison. It deliberates over all this information, makes necessary changes, and then sends the consolidated IMCOM budget to the next level for approval by the Army Material Command (AMC) and then the Secretary of the Army.

Step 5

Evaluated by AMC and the Secretary of the Army

All the IMCOM budgets are forwarded through AMC to the Assistant Secretary of the Army (Financial Management and Comptroller) or ASA(FM&C). At this level, all the IMCOM budgets go through a rigorous process of evaluation and trimming. The ASA(FM&C) consolidates the IMCOM budgets into a total Army budget and sends this budget on to the DOD.

Step 6

Consolidated by the DOD

The Department of Defense (DOD) receives all the budget submissions from the Army, Navy, Air Force, and Marine Corps. The budgets are reviewed, consolidated, and submitted as the DOD budget to the Office of Management and Budget (OMB).

Step 7

Refined by the Office of Management and Budget (OMB)

The OMB consolidates all the Federal agencies' budgets. For example, the Department of the Interior, the Department of the Treasury, the Department of Agriculture, etc., each submit an agency budget. OMB reviews the requirements against the President's fiscal goals and then evaluates, trims, and molds them into the President's budget.

Step 8

Approved by Congress and President

The President's budget finally reaches Congress. This document tells Congress the funding required to execute the President's programs for the next fiscal year. After much consideration and deliberation, Congress puts together what it considers a fiscally sound, acceptable budget. Congress then packages the budget into a legislative action call a Bill. When Congress passes the Bill, it goes to the President for his signature. Once signed by the President, it is approved and becomes law.

Summary

After the President signs the Appropriations Bill, funds stream back down through the various organizational levels. Because budget requirements are trimmed during the budget process at various levels of review due to differing priorities, the money that eventually reaches the activity is often a much smaller amount than what was requested. Therefore, the DOD and all the levels below have to decide what amount of their designated APF dollars they are going to send to each of their feeder agencies and activities.

APPROPRIATE FUND BUDGET PROCESS



- After the President signs the Appropriations Bill, funds stream back down through the various organizational levels.
- The DOD and all the levels below have to make decisions about what amount of their designated APF dollars they are going to send each of their feeder agencies and activities.
- The money that eventually reaches the activity is often a much less than requested.

CONTINUE

Lesson 4 of 45

Lesson 1 Knowledge Check

Question

01/02

The Appropriated Fund Budget Process begins at the activity level when the activity manager identifies program requirements and, when approved, moves forward through a chain that ends in an Act of Congress that appropriates the funds.

True

False

Question

02/02

Select the phrase that is NOT an accurate ending to the following sentence.
Appropriated funds are...

- Requested in the President's budget
- A result of an Act of Congress
- Revenue generated at the Bowling Center
- Taxpayer dollars

2.1 Overview

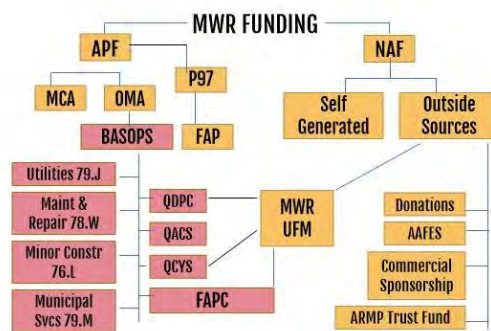
Funds that are appropriated by Congress reach the activity through different routes depending on their purpose. The major funding stream is through the Operations Maintenance Army (OMA) Appropriations. This funding may be received either directly or indirectly. An additional source of appropriated fund (APF) support for Family and MWR is the Military Construction Army (MCA). The Office of the Secretary of Defense also provides direct funding for specific programs in Army Community Service.

At the end of this lesson, you will be able to:

- 1 Describe three appropriated funding streams.
- 2 Differentiate between direct and indirect appropriated fund support to MWR programs and give examples of each.
- 3 Explain the purpose of a Management Decision Package (MDEP).

CONTINUE

2.2 Appropriated Funding Streams



Appropriated Funding System

Funds that are appropriated by Congress reach the activity through different routes depending on their purpose. The major funding stream is through Operations Maintenance Army (OMA) Appropriations.

OMA Appropriations

The majority of appropriated funds reach the garrison through the Operations Maintenance Army (OMA) stream. OMA is a one-year appropriation that provides authorized funding for the operation and maintenance of all organizational equipment and facilities within the Army. At the end of the fiscal year, the

authorization to spend those funds expires. How well we execute our APF budget has a direct bearing on our funding levels for the next fiscal year.

BASOPS Letter Accounts

OMA dollars flow through Base Operations (BASOPS) accounts that help operate and maintain Army garrisons. These accounts designate the funds used to provide different functions of garrison support, such as real estate management, facility support services, maintenance and repair, minor construction, environmental compliance, and Family and MWR.

Special accounts have been set up to track the dollars used due to the Congressional funding requirements. These accounts, however, are part of BASOPS and are not fenced. It is important to understand that though dollars may be designated for a particular function or purpose, the Garrison Commander has the authority to reprogram those dollars to other areas that are deemed necessary.

While appropriated funds are intended for the operation of programs and activities identified in the budget process, the funds may be spent for another purpose that is deemed more critical. Fenced funds must be spent for the purpose for which they were appropriated. Fenced funds cannot be spent for any other purpose.





Direct APF Dollars – are funds specifically set aside for your programs’ operation.

Direct APF dollars cover the cost of personnel, equipment purchases, supplies, and so on. The 96.L* account within BASOPS contains funds specifically for Family and MWR recreation *(QDPC) support. Child and Youth Services *(QCYS) and Army Community Service (QACS) programs, though not part of the 96.L account, are part of the APF BASOPS funding.

Except for APF salaries and QACS funds, Direct APF Dollars are provided to the garrison Family and MWR program through the Uniform Funding and Management (UFM) process. This process will be covered in the next lesson.

Indirect APF Dollars - are funds from any account or fund used to support program activities. Indirect APF dollars cover such things as the costs of facility maintenance and repair, new construction, utilities, refuse, and custodial services. These dollars are used to provide services and support to program activities but are managed by other directorates, such as the Director of Public Works (DPW).

Examples of some of the indirect BASOP accounts are the accounts administered by the DPW:

Account 76.L

Is used for new work under \$300,000.00. If you have a facility that needs a room-dividing wall built, the money for the construction of that wall comes out of the 76.L or new construction account.

Account 78.W

Is set aside for facility maintenance and repair totaling \$1,000,000.00 or less. If you have an existing wall repaired, the money for the repair comes out of the 78.W or maintenance and repair account.

Account 79.M

Is for municipal services. Funding for refuse collection, snow removal, street sweeping, janitorial services, and pest control come from this account.

Account 79.J

Is used to pay cost of utilities. Examples include electricity or gas.



[CONTINUE](#)

2.3 Other Appropriated Funding

In addition to OMA funding, Family and MWR programs receive funding and support through the Military Construction Army (MCA) and Office of the Secretary of Defense (OSD). The MCA funds are used to build Family and MWR facilities, which are authorized to be funded with APF. OSD funds are received normally for designated purposes.

Additional guidance on Family and MWR military construction funding can be found in AR 215-1, Appendix E Construction Funding for Nonappropriated Fund Instrumentalities Facilities.



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Some funding comes directly from the **Office of the Secretary of Defense (OSD)** in the P97 account for specific programs within Army Community Service. These funds are separate from OMA funding. The programs that receive OSD funds are Relocation Program (Relo) and the Family Advocacy Program (FAP). These funds are fenced and can only be used to operate these specific programs.

CONTINUE

2.4 How APF's Are Tracked





ARMY COMMUNITY SERVICE



CHILD AND YOUTH SERVICES



COMMUNITY RECREATION

Management Decision Package (MDEP)

The MDEP tracking system is used by Congress to convey approved program priorities into budget estimates and then to identify how APF funds are executed or spent.

This system tracks a program and financial performance, from the time requirements for the program are identified through the budget and execution years.

MDEPs for Family and MWR programs begin with "Q" followed by a group of three additional letters relating to a specific program.

There is no way of avoiding APF accountability by MDEP. By incorporating the MDEP identifier in the APF accounting-fund citation for all expenditures, DA can track the following:


- How the manager executed those APF dollars last year
- The level of execution for the current fiscal year
- The amount of funding requested for the program for the budget year
- The amount requested to fund the activity's programs over the next five years




CONTINUE

2.5 Uniform Funding and Management (UFM)

MWR APF, also better known as Uniform Funding and Management (UFM), is the process that enables APF to be combined with NAF for the purpose of providing MWR services under NAF financial rules and procedures. Amounts received through the UFM process can only be used for APF authorized items/expenses.

UFM is designed to facilitate:



-  The procurement of property and services for MWR
-  The management of employees used to carry out the programs.
-  May not be used for Military Construction, Army (MCA) or minor MCA initiative.

MWR APF is applicable to direct APF support for which the MWR managers are responsible.

This support is primarily reflected in Management Decision Evaluation Packages (MDEP), QDPC (Soldier MWR), and QCYS (Child and Youth Services).

Indirect APF support such as utilities and maintenance and repair will continue to be provided under current APF procedures. MWR APF is currently limited to operating support.

UFM may not be used for Military Construction, Army (MCA), or minor MCA initiatives.

The UFM Authority and Guidance include:

Authority to conduct UFM is contained in Section 323 Uniform Funding and Management of Morale, Welfare, and Recreation Programs, of Public Law 107-314, the “Bob Stump” National Defense Authorization Act for FY 2003.



The DOD implementing guidance is found in Department of Defense Instruction (DoDI) 1015.15, Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Documents, 31 Oct 07 and Change 1, 20 Mar 08.



UFM is limited to MWR as defined by the DoDI. Supplemental Mission NAF programs and other well-being programs such as Army Community Service (ACS) may not currently benefit from UFM.



Authority for the Military Academy's cadet athletic and recreational-curricular programs to operate under UFM is found in Section 544 of Public Law 108-375, the Ronald W. Reagan National Defense Authorization Act of FY 05.



APF converted to NAF through the UFM process is considered NAF for all purposes and remain available until expended.



The UFM will only be utilized for MWR programs authorized to receive APF support and then only for purposes that are authorized APF funding.

The basic steps of UFM are:

- 1 Memorandum of Agreement (MOA) between the APF resource manager and the Director, Family and MWR (DFMWR) outlining the APF authorized MWR service to be performed.
- 2 The MOA serves as the basis for creating the APF obligation and forwarding the money to the NAFI.
- 3 Management employs NAF rules and procedures in the execution of the MOA for APF authorized services.
- 4 The authorized APF income and expenses are recorded in specially coded departments on the NAF financial statements.
- 5 At year end, the authorized income should not exceed the reported expenses.

UFM Replaces MWR USA

Morale, Welfare, Recreation Utilization, Support, and Accountability (MWR USA) is the predecessor to UFM. Initiated by DoD in June 98, MWR USA laid the foundation for the development of UFM. UFM replaced MWR USA.

UFM APF dollars should be transferred to the NAFI up-front before expenses are incurred; however, due to the availability of APF, the transfer is delayed.

UFM is based on a single system of procedures as practical as can be achieved.



The annual NAF budget guidance provides NAF and UFM guidance on Army MWR priorities, requirements, and funding targets.



The annual NAF budget financial plan for the garrisons' needs are reconciled with the Army MWR Program Management plans.



The UFM Budget schedules provide supporting documentation for the successful completion of the agreement between the Government and MWR. The schedules are the basis for the levels of service to be provided by Family and MWR.

[CONTINUE](#)

Lesson 10 of 45

Lesson 2 Knowledge Check

Question

01/06

Which of the following is NOT an example of indirect APF support for Family and MWR programs?

- Salaries for GS staff at the Child Development Center
- Custodial Service at the Arts and Craft Facility
- Electricity at the Fitness Center
- Repair to the entrance of the Library costing \$20,000

Question

02/06

MDEP is an acronym for Married Dependent.

True

False

Question

03/06

Match each appropriated funding stream with an example of a program.

⋮ OMA

Parent Education in the Family
Advocacy Program

⋮ MCA

Custodial Services at the Fitness
Center

⋮ DOD P97

Construction of a Child Development
Center

Question

04/06

Family and MWR APF, also known as, Uniform Funding Management or UFM is designed to facilitate all of the following except:

- The management of employees used to carry out the programs
- Occasional Military Construction
- The procurement of property and services for MWR
- None of these
- All of these

Question

05/06

Non Appropriated Funds should not be used to pay costs in acquiring items and services authorized to be paid from APF when APF is available. Which of the following are the two exceptions to this rule?

- A. MCA construction.
- B. A MIPR
- C. Uniform Funding and Management (UFM)
- Both A and C
- Both B and C

Question

06/06

Match the statement to the appropriate source.

⋮ Authority to conduct UFM

DODI 1015.15

⋮ States that UFM is limited to MWR

Ronald Reagan National Defense Authorization Act of 2005

⋮ Program not currently benefiting from UFM

Bob Stump National Defense Authorization Act 2003

⋮ Gives authority for Military Academy cadet recreation program to operate under UFM

Army Community Service

3.1 Overview

Many Family and MWR programs generate income in the course of providing services to our customers. These funds are called nonappropriated funds (NAF). In addition to this locally generated income, other sources of NAF are available to Family and MWR for operating programs. All nonappropriated funds become part of the nonappropriated fund instrumentality (NAFI) single fund.

Funding for programs is determined by the categorization of Family and MWR activities. The criteria for categorization, thus the level of appropriated funds (APF) support authorized, are based on two criteria. Some activities have ties to the garrison Family and MWR program but do not fall within the criteria of Category A, B, or C. In addition, certain exceptions apply to funding activities according to their category.

At the end of this lesson, you will be able to:

- 1 Define nonappropriated funds (NAF).
- 2 List sources of NAF dollars.
- 3 Describe the NAFI.
- 4 Explain the NAF budget process.

CONTINUE

3.2 NAF Defined

NAF dollars generally come from two sources: locally generated income (LGI) and outside sources. Locally generated income is earned through sales of merchandise and various services fees. It is also generated from concession operations where the Family and MWR program licenses other activities to operate on an installation and collects a commission or portion of the sales. Outside sources of income come from donations, Army and Air Force Exchange Service (AAFES) dividends, interest income, and UFM.

NAF dollars belong to the soldier. The purpose of generating this money is to provide needed services and facilities for Soldiers and their family members. All the NAF dollars generated by Family and MWR activities go back into the Family and MWR single fund to support current programs, provide new programs, or improve existing programs and facilities.



CONTINUE

3.3 Sources of NAF Dollars



Donations —

Donations can take the form of either cash or items such as supplies or equipment. Some examples of donations include money from the Combined Federal Campaign and gifts from private organizations or individuals.

AAFES Revenue —

These funds are obtained from AAFES operations (main retail store, package beverage stores, gas stations, etc.) by way of AAFES Dividends and other limited AAFES-Family and MWR contractual relationships.

Commercial Sponsorship —

Commercial sponsorship is a legally binding contract for a commercial firm to provide cash or goods to an installation-wide event in return for name recognition in the event advertisements.

ARMP —

Installation Management Command (IMCOM) and installations outside the continental United States (OCONUS) receive a percentage of revenue from the Army Recreation Machine Program (ARMP). Revenues from ARMP are split in accordance with the contractual agreement with ARMP.

Interest Income —

Interest income is monies from investments.

MWR APF a.k.a. UFM —

MWR APF, a.k.a. UFM, is the conversion of APF to NAF for the purpose of providing MWR services under NAF rules and procedures. It is designed to facilitate:

- The procurement of property and services for MWR.

- The management of employees used to carry out the programs.
- May not be used for Military Construction, Army (MCA), or minor MCA initiative.

Nonappropriated Fund Instrumentality (NAFI)

A NAFI is a Federal fiscal entity used by commanders and other authorized Department of the Army (DA) personnel to prudently administer, safeguard, and control NAF funds, equipment, facilities, and other resources.

NAFI Single Fund

A garrison is an operating entity of the MWR Enterprise Single Fund at the HQ IMCOM DFMWR or IMCOM Directorate level. The MWR Enterprise Single Fund reports all assets, liabilities, and fund equity for all the garrisons. The Garrison Operating Entity reports its financial performance and has a limited balance sheet. The MWR Enterprise Single Fund and Garrison Operating Entity are Federal fiscal entities that perform essential government functions to provide Family and MWR and other programs for military personnel, their families, and authorized civilians.

NAFI single fund is a tool for commanders and other authorized Department of the Army (DA) personnel to prudently administer, safeguard, and control NAF and MWR APF funds, equipment, facilities, and other resources.

Other NAFIs include but are not limited to the Army Air Force Exchange Service funds (AAFES), Chaplains Funds, and Civilian Welfare Funds.

CONTINUE

3.4 The NAF Budget Process



The Family and MWR NAF annual operating budget (AOB) process is different from the APF budget process because NAFs are not taxpayer dollars appropriated by Congress.

NAF AOB PROCESS



Developing the NAF Budget

The process to develop the NAF Annual Operating Budget (AOB) requires a bottom-up approach.

That means the Activity Manager submits a budget for the activity based on the program requirements and the Annual Budget Guidance issued by the IMCOM G-9 each year.

The budget is then approved and consolidated by the Program Manager and submitted to the Director, Family, and MWR. After approval at the garrison level, the total garrison Family and MWR AOB is forwarded for inclusion in the IMCOM Directorates (ID) AOB. In this way, the activity budget becomes part of the total Army Family and MWR AOB.

MONITORING AND TRACKING THE BUDGET

The Family and MWR Manager will begin to operate the program based on the approved NAF budget at the beginning of the fiscal year, 01 October. Throughout the year (October through September), a manager is required to monitor and track budget execution. Variances between budgeted and actual amounts will occur.



A one-month variance may not be particularly significant, but a sustained unfavorable variance may adversely affect the financial goals of the activity. If the variance is significant either in amount or duration, the activity manager should be able to detect the cause and explain. If the trend is negative, the manager must identify actions to correct it. A significant variance may require the manager to revise the budget at mid-year.

CONTINUE

Lesson 15 of 45

Lesson 3 Knowledge Check

Question

01/03

A Nonappropriated Fund Instrumentality (NAFI) is a Federal fiscal entity used by commanders and other authorized Department of the Army (DA) personnel to prudently administer, safeguard, and control NAF funds, equipment, facilities, and other resources.

True

False

Question

02/03

Select from the following list the statements that accurately describe nonappropriated funds (NAF). Select all that apply.

- NAF dollars belong to the soldier.
- The purpose for generating NAF is to provide needed services for Soldiers and their families.
- NAF dollars go back into Family and MWR to support current programs and facilities or provide new programs and facilities.
- NAF dollars generally come from two sources: locally generated income and outside sources.

Question

03/03

Select from the list all of the elements of the NAF budget process.

- Develop the budget
- Implement the budget by operating program in accordance with it
- Monitor and track budget execution
- Revise budget if necessary

4.1 Overview

Funding for programs is determined by the categorization of Family and MWR activities. The criteria for categorization, thus the level of appropriated funds (APF) support authorized, are based on two criteria. Some activities have ties to the garrison Family and MWR program but do not fall within the criteria of Category A, B, or C. In addition, certain exceptions apply to funding activities according to their category.

At the end of this lesson, you will be able to:

- 1 Describe the criteria for MWR Categories A, B, and C and identify programs included in these categories.
- 2 Identify two non-category support activities that have a tie to MWR but do not fall within Category A, B, or C.
- 3 Describe specific exceptions to funding by MWR categories.
- 4 Relate two exceptions to the use of nonappropriated funds (NAF) as regulated by Public Law.

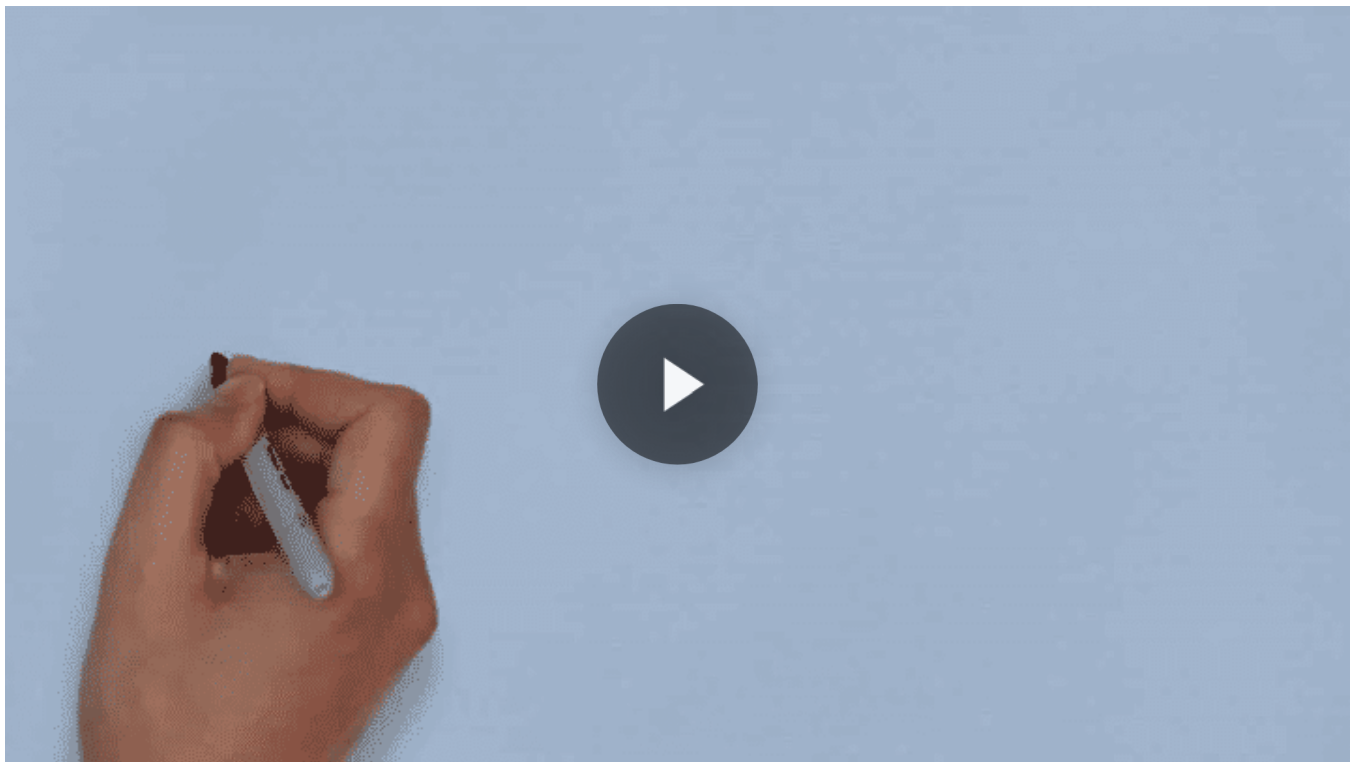
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4.2 Family and MWR Categories

The categorization of Family and MWR activities is based on two things:

1. The relationship of the activity to readiness and retention.
2. The activity's ability to generate revenue.

DOD periodically assigns or reassigns each Family and MWR activity to a category based on the ability of the activity to meet these criteria. There are three Family and MWR activity categories: A, B, and C.



CATEGORY A	CATEGORY B	CATEGORY C
<ul style="list-style-type: none">• Category A contains mission-sustaining activities considered most essential in meeting the organizational objectives of the military services.• These activities promote the physical and mental well-being of the	<ul style="list-style-type: none">• Category B represents a marked crossover point between the two criteria of mission essentiality and capability to generate NAF revenue. Activities in this group have the potential to raise a limited amount of NAF dollars, but they lack the ability to sustain	<ul style="list-style-type: none">• Category C contains activities considered nonessential from the perspective of the military mission but still highly desirable as a means of providing recreational activity, with the attendant morale benefit. Category C activities are business

CATEGORY A	CATEGORY B	CATEGORY C
<p>soldier, a requirement that supports the accomplishment of the basic military mission and is critical for the readiness and retention of Soldiers. The activities in this category are authorized to be funded 100% with APF dollars. Authorization to use APF dollars, however, does not guarantee fund availability.</p> <ul style="list-style-type: none"> • Category A activities have little or no ability to generate NAF dollars. Libraries, recreation centers, and fitness/sports operations are examples of Category A activities. 	<p>themselves based purely on their business activity. Additionally, these Category B activities are considered to provide for the readiness and retention of the soldier and contribute to the military mission by fostering a sense of community spirit and providing alternatives to less-wholesome off-duty pursuits.</p> <ul style="list-style-type: none"> • The activities in this category are authorized to receive the majority of their funding from APF funds. The total amount received will depend upon the installation commander's priorities, agenda, and availability of funds. 	<p>activities that have the highest capability of generating revenues.</p> <ul style="list-style-type: none"> • Some examples of Category C activities are clubs, golf courses, and bowling centers with 17 or more lanes. These activities are similar to those found in any community's commercial business area and, as such, should be self-sustaining. While there are some exceptions for remote sites and OCONUS installations, they have the ability to be self-sufficient and, consequently, receive little or no direct APF support and are expected to generate a profit.

CATEGORY A	CATEGORY B	CATEGORY C
	<ul style="list-style-type: none">• Some examples of Category B activities are child and youth services, arts and crafts, auto crafts, bowling centers with 16 or fewer lanes, and outdoor recreation services.	



Documents that Record NAF Budget Information

Five documents record NAF budget information. The Family and MWR activity manager will have input to or be responsible for preparing the following documents:

- Manager's Narrative, which is developed first in the budget process and outlines the Family and MWR Manager's plans for the next five years. The narrative would include business operation goals and objectives, significant changes from previous years; identification and discussion of significant trends; explanation of anticipated cost savings; and an explanation of projected revenue increases or decreases.
- Capital Purchase and Minor Construction (CPMC) Budget.
- Annual Operating Budget (AOB) covers the upcoming year.
- APF/NAF 5-year Financial Plan.
- 5 Year Cash Projection.



Non-Category Support Activities

There are two non-category support activities that have ties to the IMWRF but do not fall within Category A, B, or C. They are:

- Family and MWR Common Support
- Non-Family and MWR supplemental Mission NAF

Division Chiefs

**Director of Family
and Morale, Welfare
and Recreation
(DFMWR)**

**NAF Civilian Personnel
Office (CPO)**

**NAF Financial
Management**

FAMILY and MWR Common support

Family and MWR, common support activities, include the Director of Family and Morale, Welfare and Recreation (DFMWR), Division Chiefs, NAF Financial Management, Services Division, Information Technology Division, and NAF Civilian Personnel Office (CPO).

Every government agency has certain positions designated as Executive Control and Essential Command Supervision (ECECS). ECECS positions provide common support. One of the major responsibilities of these individuals is to prevent and eliminate fraud, waste, and abuse. The Division Chiefs, as well as the DFMWR and NAF Financial Manager, are normally considered ECECS.



ACS



MUSEUMS

Non-Family and MWR Supplemental Mission NAF Activities

Non-Family and MWR supplemental mission NAF activities are those NAF activities established to provide adjuncts to official non-Family and MWR APF mission areas. Some examples of non-Family and MWR supplemental mission NAF activities are:

- Army Community Service
- School Meal Program
- Recycling
- Scouting (overseas)
- Museums
- Veterinary services
- USMA Athletics and Cadet Activities
- Fisher House

These adjunct activities are authorized with no direct APF support. This should not be confused with the required 100% APF support of their respective missions. The NAFs generated by non-Family and MWR supplemental mission NAF activities may not be

used to subsidize Family and MWR, nor may Family and MWR subsidize these activities (AR 215-1, paragraph 5-10). Non-Family and MWR supplemental mission NAF activities may be part of the garrison Family and MWR single fund or maybe stand-alone NAFIs. When part of the Family and MWR single fund, the Non-Family and MWR supplemental mission NAF funds are deposited into the Family and MWR single fund for accounting purposes only.

CONTINUE

4.3 NAF Exceptions



Public law, Chapter 147 of Title 10 of the United States Penal Code, emphasizes the importance of observing NAF regulations.

The Policy Execution Procedures, Chapter 32, Accounting Procedures for Army Nonappropriated Fund Instrumentalities, paragraph 32010305, Misrepresentation of Financial Data, explains all revenue and expenses are to be accurately reported under the appropriate program code within the correct MWR category. Revenues and expenses pertaining to a particular program and/or activity must be matched within

the appropriate department, location, and program code. When financial data is not properly reported due to the lack of clear guidance, the manager or accountant cannot be faulted for using his best judgment. However, deliberate manipulation or misrepresentation of financial data may constitute a violation of 10 United States Code, Section 2783, which affords nonappropriated funds (NAFs) the same protection and requires the same penalties for substantial violations of regulations as those under provisions of Federal Law that governs the misuse of appropriations. Examples of misrepresentation include:

- Deliberately reporting activities in an unrelated program code, particularly in the wrong MWR category, could lead to unauthorized funding.
- Willfully transferring expenses to another activity to make one activity “look better.”
- Combining separate operations to report net operations to mislead or to misrepresent the financial results of activities.
- Purposely not “matching” all income and expenses of an activity in the same period or the same department/location/program.

A Memorandum from the Assistant Secretary of the Army titled, "Defense Policy for the Nonappropriated Funds for Fiduciary Responsibility," dated September 24, 1993, states that inappropriate use of NAFs bears the same legal consequences as with APF. AR 215-1, paragraphs 5-13 and 5-14 lists the authorized and unauthorized uses of NAFs, respectively:

"NAFs will not be used to pay costs in acquiring items or services authorized to be paid from APF when APF is available (except under DOD UFM funding practices, see paras 5-2 and 5-3)."

Non-Availability Statement

When APF is authorized but not available, NAF may be spent only after obtaining a written statement of non-availability. This authorization must be obtained even in emergency situations. There is no prescribed format, but it will state that APF is authorized. However, no APF funds are available. The non-availability statement

usually is issued by the Garrison Commander, Director of Resource Management (DRM), or Director of Public Works.



For example, you operate a Child Development Center in Alaska, and the furnace stops running in the middle of winter. DPW determines that the problem is a broken part. DPW has no APF funds to buy the needed part, even though they have the ability to fix it. The parts store in downtown Anchorage has it. If you buy the part with NAF funds, DPW will fix the furnace for you tomorrow. You agree to do this if DPW will provide a statement of non-availability.



APF FUNDING AUTHORIZATION

Authorized expenditures include personnel services, supplies, furniture, fixtures and equipment, routine maintenance, and other operating expenses. Appendix D of AR 215-1 is the source for determining whether an activity is authorized for APF support.

The next page is an excerpt of Table D-1 Funding Authorizations, from AR 215-1, Appendix D Appropriated Fund and Nonappropriated Fund Authorizations. Table D-1

will indicate if APF or NAF is authorized to be used for the general expense. You will notice that the Category (A, B, C) of the Program will affect if APF is authorized.

There are 21 elements in AR 215-1; Appendix D. These elements represent general expense items. Each element is described in greater detail in the body of its description. Read the entire element and associated footnotes before making a funding determination!

Appendix D

Appropriated Fund and Nonappropriated Fund Funding Authorizations

D-1. Funding resources

MWR programs and other NAFs are resourced from either APFs or NAFs or a combination of both or private commercial resources where authorized and appropriate. NAF expenditures for valid MWR purposes are not an augmentation of appropriations. Additional funding policies are addressed in chapter 5 of this regulation. Funding standards for all categories of MWR programs can be found in paragraph 16-4, this regulation.

D-2. Funding authorizations

General funding authorizations for NAFs are outlined in table D-1.

Elements of Resources	APF			NAF
	A	B	C ^{1, 2, 3, 4}	
1. Military personnel. See chap 14, this regulation and ARs 570-4 and 614-200.				
a. Permanent assignment.				
(1) ECECS.	Authorized	Authorized	Authorized	Not Applicable
(2) When determined that military personnel are required to support wartime or contingency operations, required for overseas rotation, or cannot be filled effectively with civilians.	Authorized	Authorized	Not Authorized	Not Applicable
(3) A lifeguard position at swimming pool.	Authorized	Not Authorized	Not Authorized	Not Applicable
(4) All other personnel.	Authorized	Authorized	Not Authorized ⁵	Not Applicable ⁶
b. Temporary assignment. Assigned on a temporary basis (includes special duty and its two components borrowed military manpower and troop diversion) to perform duties or functions primarily associated with MWR programs and activities for no longer than 90 days (see chap 14). Assignments may be made only when mobility or deployment requirements occur or when training to upgrade or maintain essential military skills cannot be provided through other means. (Temporary assignment is also subject to the provisions in ARs 570-4 and 614-200.)	Authorized	Authorized	Authorized	Not Applicable
c. Detailed. Active duty military personnel detailed to perform duties on an infrequent or one-time basis in support of an MWR garrison-wide event (for example MWR concert). Authorization to detail military personnel is at the discretion of the commander.	Authorized	Authorized	Authorized	Not Applicable
2. Civilian Personnel. See chapter 14, this regulation.				
a. Permanent assignment utilization.				
(1) Performing ECECS.	Authorized	Authorized	Authorized, except for AAFES unless authorized by footnote 7	Authorized
(2) Personnel performing managerial functions or requiring technical and/or professional qualifications.	Authorized	Authorized	Not Authorized ⁷	Authorized

CONTINUE

Lesson 19 of 45

Lesson 4 Knowledge Check

Question

01/05

Which of the following are the bases for categorization of Family and MWR activities?

- The relationship of the activity to readiness and retention
- The size of the installation
- The activity's ability to generate revenue
- Availability for corporate sponsorship

Question

02/05

Category C activities are never authorized to use APFs.

True

False

Question

03/05

There are activities with ties to Family and MWR that are NOT in Category A, B, or C.

True

False

Question

04/05

From the following list, identify the examples of non-Family and MWR supplemental mission NAF activities. Select all that apply.

- Library
- Veterinary Services
- Museums
- Bowling Center

Question

05/05

The two exceptions to the use of NAF are which of the following? Select all that apply.

- Government Purchase Card
- UFM
- Non-availability of APF to support an authorized APF need
- Outside the Continental United States (OCONUS) locations

5.1 Overview

Management of NAF encompasses planning, controlling, evaluating, and accounting for those funds. Primary areas include safeguarding NAF assets through proper use of management controls, maximizing the use of capital through efficient cash and capital budgeting, and identifying operating opportunities and problems through the preparation and use of budgets and financial analysis.

This lesson will identify the responsibilities for managing Family and MWR NAF by the IMCOM G-9, Defense Finance and Accounting Service (DFAS) Texarkana, Fund Managers, and Activity Managers.

At the end of this lesson, you will be able to:

- 1 Describe the functions of the IMCOM G-9 in managing NAF.
- 2 Differentiate between the responsibilities in managing NAF by DFAS Texarkana and the Fund Managers.
- 3 Identify the major responsibilities of the Activity Manager in managing NAF.

CONTINUE

5.2 Roles & Responsibilities of HQ IMCOM DFMWR in Managing NAF



Roles & Responsibilities of HQ IMCOM DFMWR in Managing NAF


The Financial Management Division (FMD) at HQ IMCOM DFMWR carries out the fiscal decisions. Its mission is financial management and oversight of the Army's non-appropriated (NAF) and appropriated funds (APF) resource acquisition and application to the Family and MWR program. HQ IMCOM DFMWR provides financial management oversight and serves as the fund manager for several NAF instrumentalities, including the:

- Army Family and MWR Fund (AMWRF).
- Army NAF Retirement Plan Fund.
- Army Medical/Life Fund.
- Army NAF 401(k) Savings Plan Fund.



CONTINUE

5.3 Responsibilities of DFAS Texarkana



DFAS Texarkana operates through a centralized office that works under the authority of AR 215-1 and Policy Execution Procedures (PEP), Chapter 32 (Accounting Procedures for Army Nonappropriated Fund Instrumentalities).

Major areas of responsibilities:

- Advises NAFIs and managers on accounting matters, such as which General Ledger Account Code (GLAC) to use for a particular situation or how to set up an additional department code for a specific purpose.
- Ensures that garrison programs and activities follow the Department of the Army policy set forth in AR 215-1 and PEP, Chapter 32.
- Performs the accounting functions for the area of responsibility.

DFAS Texarkana

The major responsibility of DFAS Texarkana involves accounting-related tasks. The tasks involve recording information and preparing documents.

The office makes sure the funds are maintained and recorded in compliance with financial regulations and provides services normally provided by any commercial accounting office.

Step 1

Record Income & Payments

- Income when reported by NAF activities.
- Records approved budget in the automated accounting system.
- Payments for resale merchandise, disbursements, and expense items.
- Payment for fixed assets.
 - A fixed asset is a tangible property that costs \$2,500.00 or more and has a life expectancy of at least two years. A fixed asset can be a single item purchased, such as a table costing \$2,500.00, or it can be a bulk purchase, such as 25 chairs each costing \$100.00 (minimum) for a total cost of \$2,500.00. DFAS Texarkana records the following for fixed assets. The description Purchase price, Depreciation schedule, Remaining amount of depreciation
- Purchase orders on contract.
- Vendor's invoices with receiving.

Step 2

Preparing Financial Documents

- Disbursements upon receipt of each item's purchase order, vendor's invoice, and the receiving report.
- Financial reports such as the financial statement, the balance sheet, the monthly variance analysis, and the accounts payable listing.
- Accounts receivable at the request of the Fund Manager.
- Another major task of DFAS Texarkana is signing checks that pay the bills.

Step 3

Prepare Financial Reports:

- Financial statements.
- The balance sheets.
- Monthly variance analysis and the accounts payable listing.
- Accounts receivable at the request of the Fund Manager.

Signing checks that pay the bills!



CONTINUE

5.4 Role and Responsibilities of the Installation Fund Manager



Fund Manager/Entity Administrator

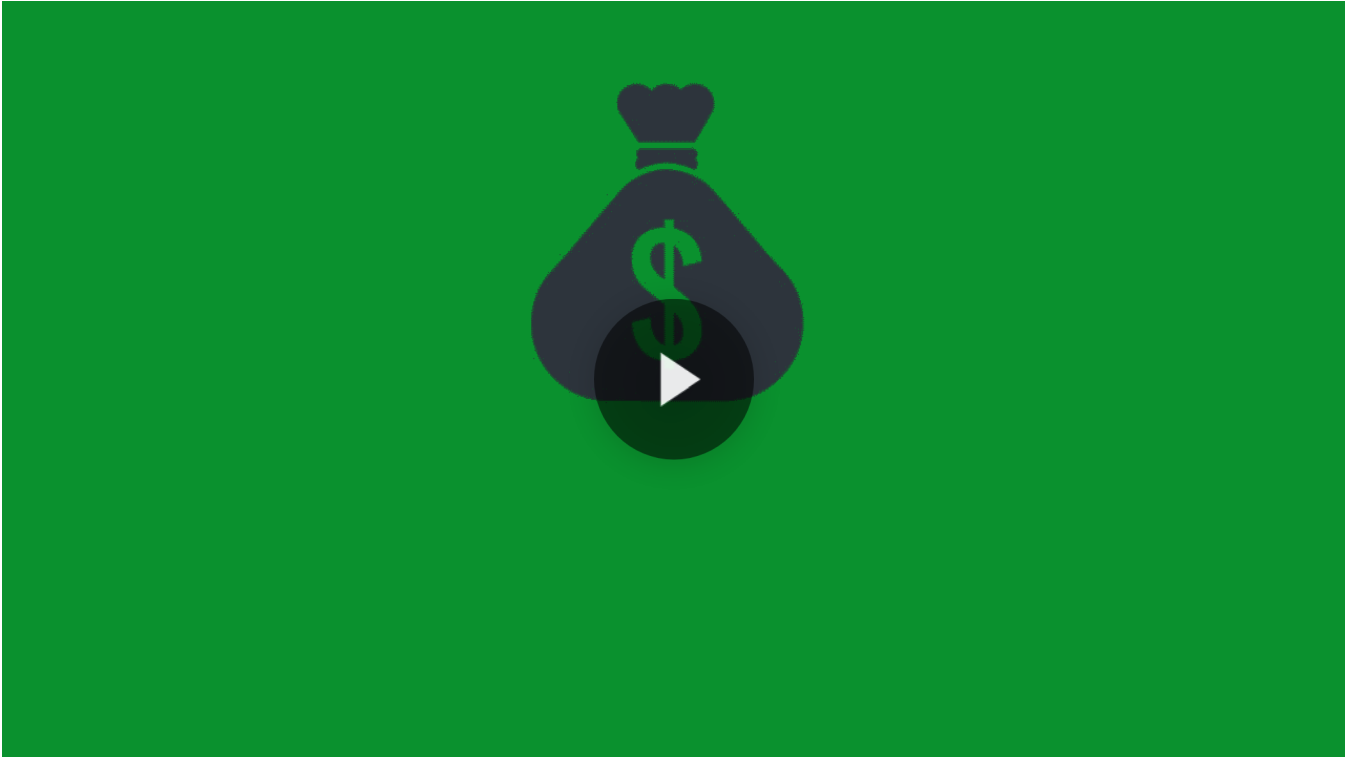
The Fund Manager is appointed by the head of the organization that is responsible for the NAFI. In the case of most stand-alone NAFIs, this is the Garrison Commander. When there is a Single Fund, which combines the MWR programs from multiple garrisons under the umbrella of a single financial organization such as an IMCOM Directorate's Single Fund, the Fund Manager is appointed by the Director of the IMCOM Directorate.

Entity Administrator

When there is a Single Fund organization, such as an IMCOM Directorate's Single Fund, the garrison MWR activities are organized under a Garrison Operating Entity, led by the Entity Administrator. The Entity Administrator is responsible for exercising Fund Manager functions at the garrison on behalf of the Fund Manager. The garrison's Entity Administrator is appointed by the Garrison Commander.

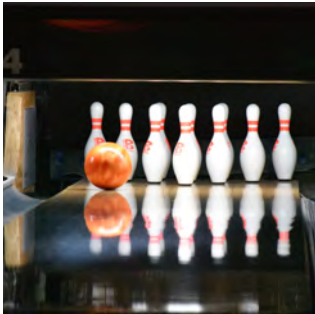
Legal and Fiduciary Responsibilities

AR 215-1 and Policy Execution Procedure, Chapter 32 provides the legal and responsibilities of the Fund Manager and Entity Administrator.



CONTINUE

5.5 Role and Responsibilities of the Activity Manager



Activity Manager

The Activity Manager is the individual responsible for the operation of an MWR program/activity or a group of programs/activities. The legal and fiduciary responsibilities of the Activity Manager are described throughout AR 215-1 and Policy Execution Procedure, Chapter 32.

The Activity Manager . . .

- Is responsible for the management of the overall program/activity. This includes responsibility for the program's/activity's planning, execution, review and analysis, and the integration and use of available APF and NAF resources into the program.
- Normally reports to the Branch Manager, who works for either the Fund Manager/Entity Administer or the Director of Family and MWR.

- Has the legal and fiduciary responsibilities for their program/activity to safeguard against fraud, waste, and abuse. Is responsible for protecting NAF assets by establishing and implementing adequate management controls.
- Is responsible for financial planning practices according to the annual budget guidance.
- Is responsible for submitting purchase request forms to expend funds to support program/activity operations.
- Schedules and supervises program/activity employees.
- Performs monthly ending inventory and other physical inventories as required.
- Is responsible for accounting for and securing all monies taken in by the program/activity through daily operations.
- Is responsible for the preparation and approval of daily activity reports.
- Prepares annual program/activity budgets, including Annual Operating Budget (AOB), CPMC budget, 5-Year Plan, and Manager's Narrative.
- Acquires knowledge of financial management and the Management Information Systems needed to execute programs.
- Participates in MWR training reads relevant program regulations to further their knowledge and understanding of the program and financial management responsibilities.



CONTINUE

Lesson 25 of 45

Lesson 5 Knowledge Check

Question

01/04

HQ IMCOM DFMWR mission is financial management and oversight of the Army's NAF and APF resource acquisition and application to the Family and MWR program. The Directorate provides financial management and serves as the fund manager for several NAF instrumentalities including:

- The Army Family and MWR Fund (AMWRF).
- Army NAF Retirement Plan Fund.
- The United Service Organization (USO) Fund.
- Army Medical/Life Fund.

Question

02/04

The HQ IMCOM DFMWR Financial Management Division's specific mission is to formulate NAF financial management policies for, and provide financial oversight of Army field NAFIs.

True

False

Question

03/04

Responsibilities of the fund manager/entity administrator include... Select all that apply.

- Approving the establishment of petty cash funds.
- Requisitioning purchases of merchandise and supplies.
- Providing DFAS Texarkana with the value of each month's ending inventory and documenting physical inventories as required.
- Preparing activity budgets.

Question

04/04

One of the major roles of MWR Managers is to participate in MWR training and read relevant program regulations to gain knowledge on financial management responsibilities.

True

False

6.1 Overview

Accounting is defined as "the art of recording, classifying, and summarizing in a significant manner and terms of money, transactions, and events which are, in part at least, of a financial nature, and interpreting the results thereof." The primary use of accounting information is to aid decision-makers.

In this lesson, you will learn how the financial information reported to Defense Finance and Accounting Service (DFAS) Texarkana is recorded and displayed on the income statement. You'll learn what each line item on the income statement represents, where the numbers come from, and how to calculate the percentages that appear on the income statement.

At the end of this lesson, you will be able to:

1

Describe the nonappropriated funds (NAF) accounting system as a double-entry accrual system.

2

Identify the elements of a 12-digit standard NAFI Number (SNN) accounting classification code.

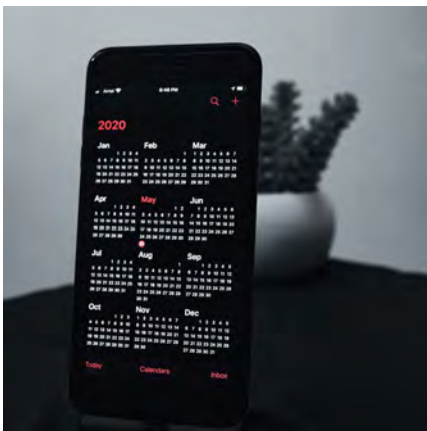
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6.2 The NAF Accounting System

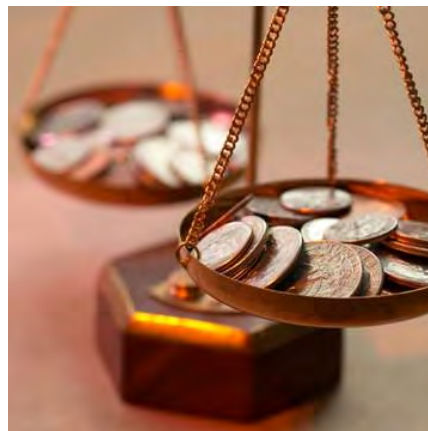
A Double Entry Accrual System

- The accounting system used by the nonappropriated fund instrumentality (NAFI) is the double-entry accrual basis of accounting.
- This system is widely used in the commercial or private sector.
- The accounting period for the NAFI, as set by DOD, begins October 1 of each year and ends September 30 of the next year.
- The term that describes this period is "fiscal year."

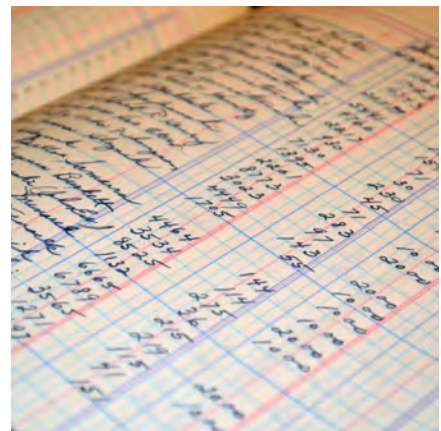
Double Entry Defined...



The NAF accounting system is a double entry accrual system for a 01



Double entry means that whenever any financial transaction



Every recording of an entry must consist of a debit and an offsetting

October to 30
September fiscal year.

takes place, there are at
least two accounting
actions involved.

credit. The total dollar
amount of debits must
always equal the total
dollar amount of
credits.

	DEBITS	CREDITS
INCOME & EXPENSE SUMMARY	(\$10,000)	
SALARIES & WAGES		\$5,000
SUPPLIES EXPENSE		\$500
UTILITIES EXPENSE		\$2,000
FURNITURE, FIXTURES & EQUIPMENT DEPRECIATION		\$1,000
BUILDING DEPRECIATION EXPENSE		\$1,500

With a double entry system, there is a debit for every credit and a credit for every debit. These debits and credits are balanced using a "T" account method. The good news is that NFS does this for you.





Sales

Your activity generates \$300.00 in cash sales for the day.



DFAS Texarkana

Send the DAR (and the bank deposit slip) to DFAS Texarkana.



DAR

Then you fill out a Daily Activity Report (DAR) for the \$300.00 cash sales....



Bank Deposit

You deposit the \$300.00 in the bank.

Upon receiving the DAR...



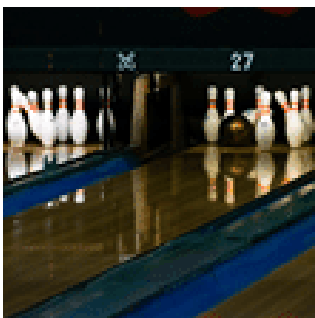
Policy Execution Procedure, Chapter 32, Attachment 2, Appendix A, Attachment 2 contains a description of each General Ledger Accounting Code (GLAC), including whether the account normally has a debit or credit balance.

ACCRUAL	EXPENSES
Revenues are recognized and reported when they are earned.	Revenues are recognized and reported when they are earned.
Accrual accounting emphasizes matching revenues and expenses associated with each other in the period in which they occur.	

Accrual Defined

In contrast, under a cash basis of accounting, revenue is recognized when cash is received from the customer or client, and expenses are recognized when cash is actually paid for the item or service received. This method makes it very difficult to identify the relationship between the revenues and associated expenses.

Cash received from the customer --> Revenue --> Expenses



Payday for your Bowling Center staff ended on 20 March.



When DFAS-Texarkana closes out the books for March, DFAS-



even though the employees won't get paid until the next pay period

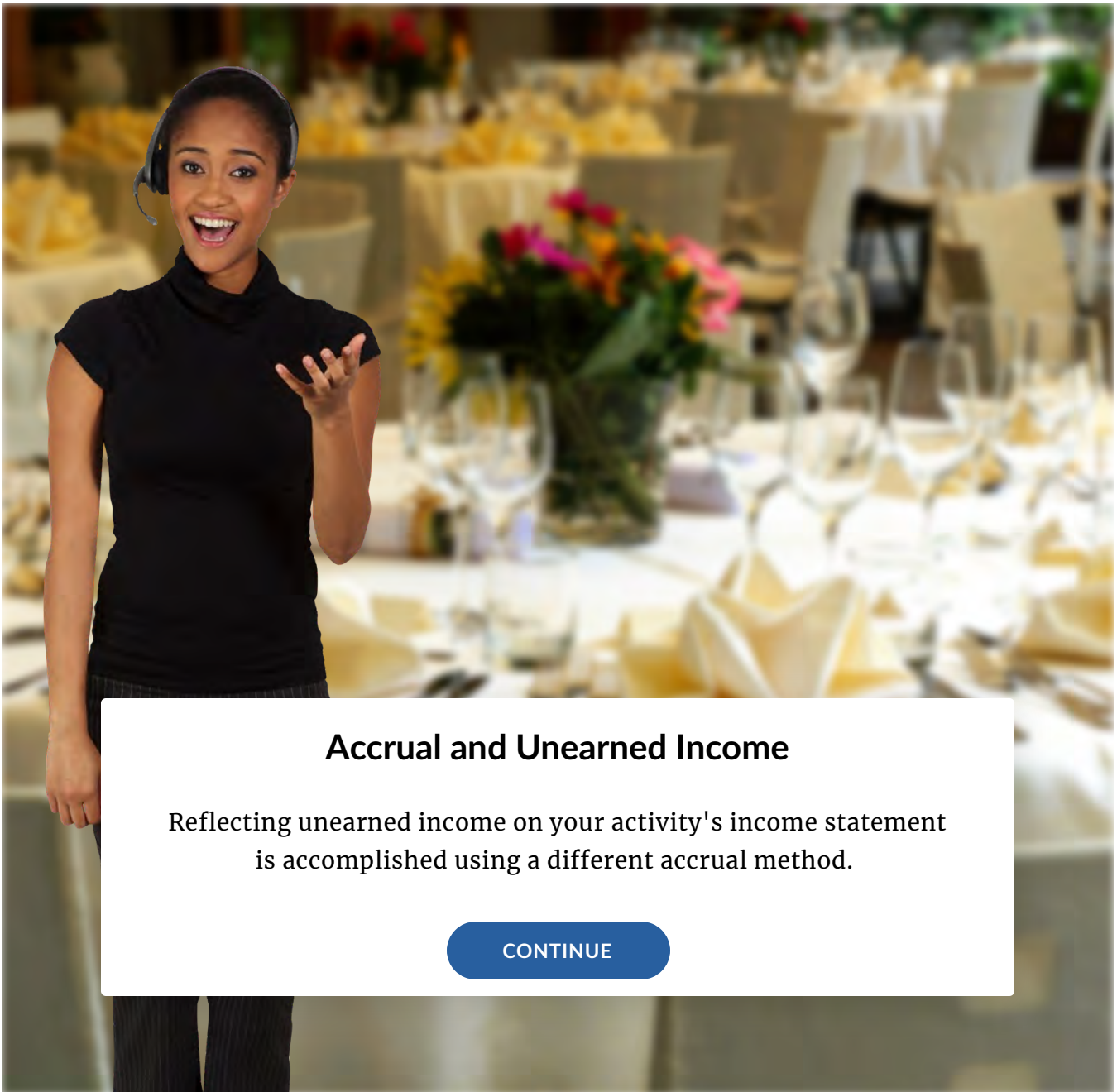


DFAS-Texarkana reports labor expenses to the same time period

Texarkana will calculate the Center's estimated labor costs for 1 through 30 March and expense them to the activity in March...

in April.
(Under the cash basis of accounting, the labor expenses would be reported in April when the employees are paid.)

in which the employees earned the pay.



Accrual and Unearned Income

Reflecting unearned income on your activity's income statement is accomplished using a different accrual method.

CONTINUE

Scene 1 Slide 1

Continue → Next Slide



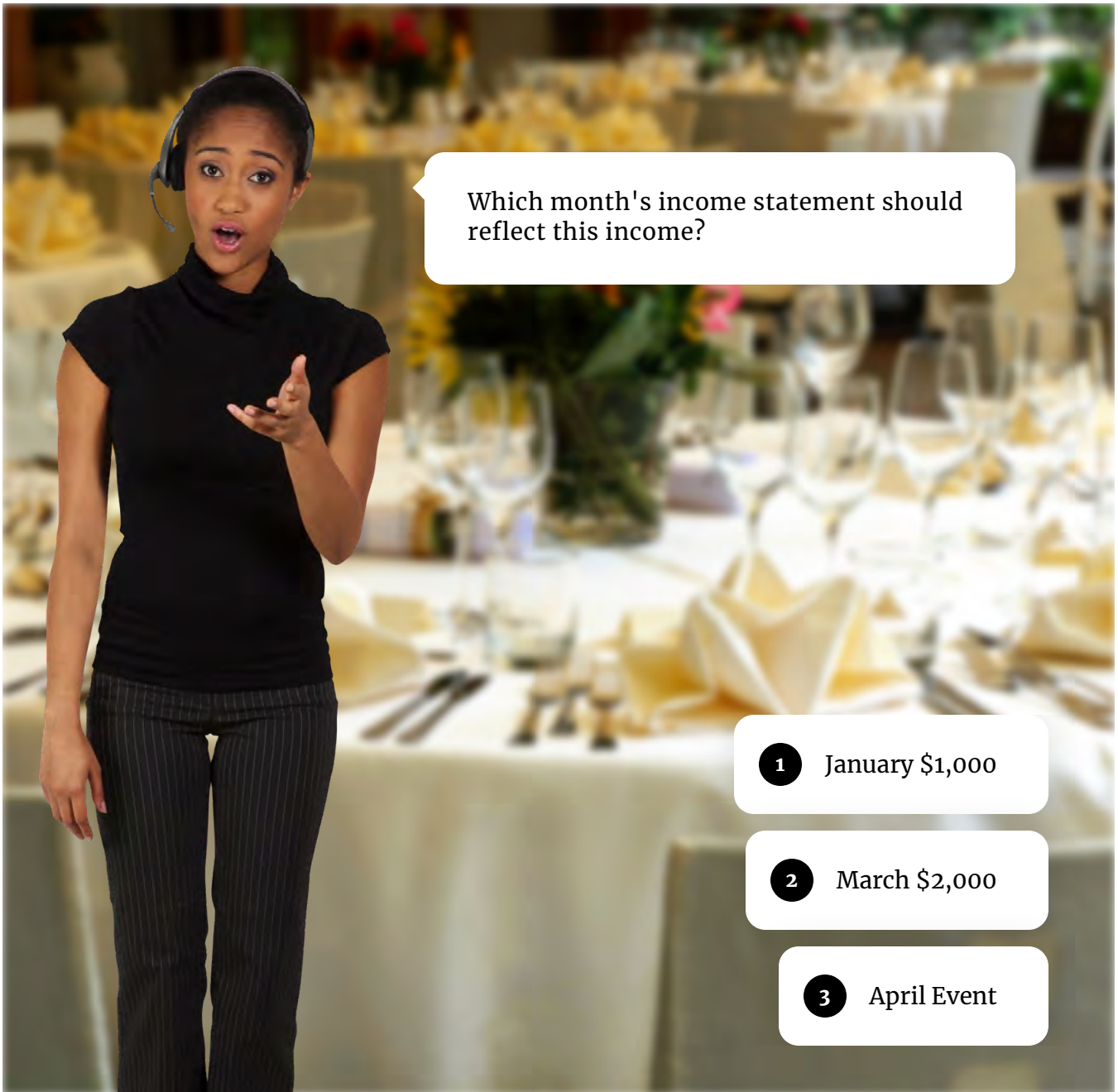
For example, let's say you are the manager of a community club. You are having a special event in April, which you began advertising in January.

Scene 1 Slide 2



You start to sell tickets early and generate \$1,000 in ticket sales in January, \$1,000 in ticket sales in February, and \$2,000 in ticket sales in March.

Scene 1 Slide 3



Which month's income statement should reflect this income?

1 January \$1,000

2 March \$2,000

3 April Event

Scene 1 Slide 4

- 0 → End of Scenario
- 1 → End of Scenario
- 2 → Scene 1 Slide 5



As funds are deposited in the Special Event Advance Ticket Sales account under GLAC 261, DFAS-Texarkana will debit the 101 (US Cash Account) for the equal amount deposited each month.

Scene 1 Slide 5

Community Club				
Date	GLAC		DR	CR
January	101	US Cash Account	\$1,000.00	
February	101	US Cash Account	\$1,000.00	
March	101	US Cash Account	\$2,000.00	
January	261	Advanced Ticket Sales		\$1,000.00
February	261	Advanced Ticket Sales		\$1,000.00
March	261	Advanced Ticket Sales		\$2,000.00

The community club's accounts will show the following entries for the advanced ticket sales. This accrual will remain in GLAC 261 until the event takes place. In April, the money will appear on the community club's income statement in GLAC 503, Special Events Income, and related expenses.

The Advantages of the Accrual System

Since you budgeted for this special event in April, the event's income and expenses should show up on the April income statement, so you don't have to explain why your actual performance is so different from your budget. As shown, the accrual system allows for advance ticket sales by crediting GLAC 261 and debiting GLAC 101 with the advance ticket sales revenue until the event actually takes place.

Consequently, you will not have to explain why unexpected income appears on the income statement for the months when it wasn't budgeted; or why your event appears to have lost money when the expenses hit in April, but much of your income was reported in previous months. The accrual system follows a fundamental accounting principle that expenses are paired with the related revenue on income statements.

CONTINUE

6.3 Standard NAFI Number

A uniform system for coding is used to ensure consistency in financial management procedures. According to AR 215-1, this Standard NAFI Number (SNN) code must be provided on all documents forwarded to DFAS-Texarkana to ensure that the income or expense is accurately recorded in the correct activity's account. The SNN indicates how to record each transaction and where to document the income and expense. Proper use of these codes will eliminate the accounting problems DFAS-Texarkana experiences when incoming paperwork either contains an incorrect code or no code at all.



AR 215-1, APPENDIX F contains more details to help you interpret and assign the correct 12-digit code.

This code, consisting of 12 alpha/numeric characters, tells the DFAS-Texarkana where to record each transaction and what type of transaction it is. This 12-digit code identifies the:

- Garrison
- Fund Name
- Program Code
- Location Code (Assigned by the Installation)
- Department Code
- GLAC

Standard NAFI Number (SNN) Example

Smokebomb Grille at Fort Bragg, North Carolina

F
B
-
1
-
K
M
-
3
7
-
1
4
-
7
2
6

1
2
3
4
5
6
7
8
9
10
11
12



First and Second Characters (Garrison Code)	Third Characters (Fund Code)	Fourth and Fifth Characters (Program Code)	Sixth and Seventh Characters (Location Code)	Eighth and Ninth Characters (Department Code)	Tenth, Eleventh & Twelve Characters (General Ledger Accounting Code or GLAC)
Identify the garrison or other similar organization. Always represented by two letters. Garrison Codes are established by IMCOM G9 in coordination with DFAS-Texarkana. FB represents Fort Bragg. Other examples of Garrison Codes are (not a complete list): AC = Fort Buchanan AE = USAG Miami DM = Bluegrass Army Depot FC = Fort Campbell FK = IMCOM-ReadinessMWR Office FL = Fort Irwin KL = USAG Daegu OJ = USAG Japan TB = Fort Benning TH = Fort Gordon VA = USAG Italy ZG = USAG Rheinland Pfalz	Identify the type of fund. Will be a single number or letter. Fund Codes are established by IMCOM G9 in coordination with DFAS-Texarkana. 1 represents MWR Fund. Other examples of Fund Codes are (not a complete list): 2 = Post Restaurant Fund 3 = Civilian Welfare Fund 4 = Chaplains Fund D = Armed Forces Recreation Center Fund F = Army Lodging Fund N = Fisher House Fund V = Veterinarian Fund	Identify the type of program. Always represented by two letters. Program Codes are established by IMCOM G9 in coordination with DFAS-Texarkana. However, which Program Code to use is determined by the garrison. KM represents Food, Beverage and Entertainment. Other examples of Program Codes are (not a complete list): HB = Physical Fitness Facilities HD = Unit Activities HF = Parks and Recreation Areas HJ = Aquatics Training JG = Child Development Centers JH = Youth Sports & Fitness KA = Bowling (16 or less lanes) LE = Bowling (17 or more lanes) LW = Other Outdoor Rec Cat C Act RE = Services RF = Financial Management RP = Fund Administration	Identify the location or activity. Location Codes are established by the locally by the garrison. This code is used to identify each specific location or activity within the garrison's MWR program. Is represented by two characters. The characters may be two letters or two numbers, or a combination of letters and numbers. 37 represents Smokebomb Grille Other examples of Location Codes from Fort Bragg are (not a complete list): 10 = Stryker Golf Course 15 = Ryder Golf Course 20 = Dragon Lanes 21 = Airborne Lanes 40 = SportsUSA 50 = All American Bingo 70 = McKellar's Lodge 71 = Clay Target Center A1 = Rodriguez Child Development Center AB = Marketing Y1 = Financial Management	Identify the department. A department is a work or activity area within a location. Department Codes are established by IMCOM G9 in coordination with DFAS-Texarkana. However, which Department Code to use is determined by the garrison. Is represented by two characters. The characters may be two letters or two numbers, or a combination of letters and numbers. 14 represents Snack Bar. Other examples of Department Codes are (not a complete list): 01 = Regular Bar 11 = Dining Room 5G = Special Events 5J = Unit Activities 58 = Equipment Rental G1 = Administration GL = APF Normal (UFM)	Identify the GLAC. This code is used to describe the type of expense. This is similar to the APF Element of Expense (EOE) or Element of Resource (EOR). GLACs are established by IMCOM G9 in coordination with DFAS-Texarkana. However, which GLAC to use is determined by the garrison. Is represented by three characters. They are always three numbers. 726 represents Supplies Expense. Other examples of GLACs are (not a complete list): 301 = Cash Sales 545 = AAFFS Dividend Income 601 = US Salaries & Wages Expense 663 = Bank Service Charge Expense 729 = Utilities Expense 733 = Insurance Premium Expense

CONTINUE

Lesson 29 of 45

Lesson 6 Knowledge Check

Question

01/04

Double-entry accounting can be defined as a process of entering debits on the left side and credits on the right side, so that the totals in each column are the same.

True

False

Question

02/04

In accrual accounting, revenue is recognized when cash is received from the customer or client, and expenses are recognized when cash is actually paid for the item or service received.

True

False

Question

03/04

The Standard NAFI Number (SNN) must be provided on all documents forwarded to DFAS-Texarkana in order to ensure that the income or expense is accurately recorded in the correct activity's account.

True

False

Question

04/04

Match the parts of this Standard NAFI Number: FB-1-JE-01-59-726

⋮ 726	Department Code
⋮ 1	Program Code
⋮ JE	GLAC
⋮ 59	Installation code
⋮ 01	Fund Code
⋮ FB	Location Code

7.1 Overview



Good financial management requires each Family and MWR Manager to track and monitor the operations of the activity over time and compare those figures to the budget. DFAS-Texarkana provides documents for this purpose. The Family and MWR Manager must be proficient in reading these documents in order to determine trends, analyze variances, and evaluate the business results of his/her activity. Current and historical financial statements are available through Standard Management Information Reports for Finance (SMIRF).

At the end of this lesson, you will be able to:

- 1 Describe the MWR financial statement and its purpose.
- 2 Identify the major components of the Income Statement.
- 3 Associate revenue and expense categories with their GLACS.
- 4 Explain the term "depreciation."
- 5 Differentiate between Percentages on the Income Statement and Inventory Turnover Ratio.

CONTINUE

7.2 Financial Statements

What is the Financial Statement?

The financial statement is mainly comprised of the balance sheet and the Income Statement. The balance sheet is a statement of the financial position of the Family and MWR Fund.

The Income Statement is historical documentation of a financial performance that compares revenues to expenses and reflects the net income or loss for the month at the installation, program, location, and department code levels.

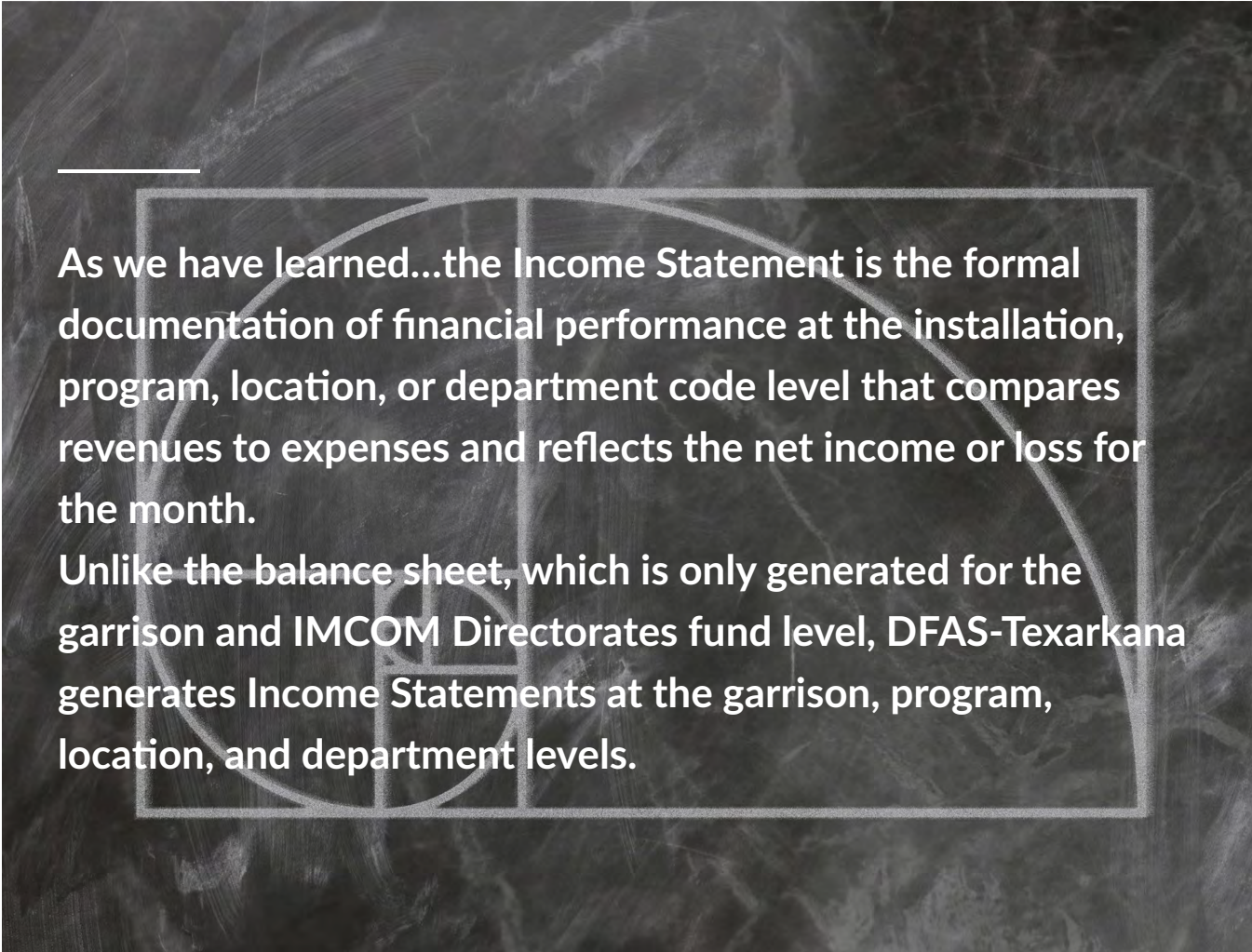
The term financial statement, although often used interchangeably with the term Income Statement, is really made up of two parts:

- The balance sheet.
- The Income Statement.



CONTINUE

7.3 Components of an Income Statement



As we have learned...the Income Statement is the formal documentation of financial performance at the installation, program, location, or department code level that compares revenues to expenses and reflects the net income or loss for the month.

Unlike the balance sheet, which is only generated for the garrison and IMCOM Directorates fund level, DFAS-Texarkana generates Income Statements at the garrison, program, location, and department levels.

Exploring the Pluses & Minuses of an Income Statement

To figure the net income or loss for an activity, it is necessary to determine both...

REVENUE	&	EXPENSES
+		-
<p>Revenue is the money an activity generates. The three major categories of revenue on the Income Statement are:</p> <ul style="list-style-type: none"> • Net Sales Revenue. • Total Income from Other Activities. • Total Other Income. • Total Revenue is the sum of the three categories. 		<p>Expenses are the costs realized in the process of current operations. The five different expense categories on the Income Statement are:</p> <ul style="list-style-type: none"> • Cost of Goods Sold (COGS). • Total Labor Cost. • Total Other Operating Expense. • Total Other Expense. • Total Depreciation. • Total Expenses is the sum of the five categories.

Revenue is generally considered a plus (+) on the Income Statement, while expenses are generally considered a minus (-).

Major categories of Revenue and Expense on an Income Statement

Net Sales Revenue + Total Income From Other Activities + Total Other Income =
TOTAL REVENUE

Cost of Goods Sold + Total Labor + Total Other Operating Expense + Total Other Expense + Total Depreciation = TOTAL EXPENSES.

TOTAL REVENUE – TOTAL EXPENSES = NET INCOME (or NET LOSS)

Net Income (LOSS) Calculated

Once the Total Revenue and Total Expenses are calculated, the Net Income or Loss After Depreciation (NIAD) can be calculated.

The Income Statement actually calculates the Net Income or Loss in far more detail – section by section or component by component.

There are eight major components on an Income Statement, four revenue, and four expense components.

1	+	Net Sales	\$ 7,000.00	
2	-	Cost of Good Sold	\$ 4,900.00	70%
	=	Gross Income from Sales	\$ 2,100.00	30%
3	+	Income from Other Activities	\$ 500.00	6%
	=	Gross Income from Operations	\$ 2,600.00	34%
4	-	Labor	\$ 1,900.00	25%
5	-	Other Operating Expense	\$ 200.00	3%
	=	Net Income from Operations	\$ 500.00	6%
6	+	Other Income	\$ 250.00	3%
7	-	Other Expense	\$ 250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$ 500.00	8%
8	-	Depreciation	\$ 27.00	0%
	=	Net Income After Depreciation (NIAD)	\$ 473.00	7%
		Total Revenue	\$ 7,750.00	
		Net Revenue	6,500.00	

Total Revenue = Net Sales + Income from Other Activities + Other Income

Net Revenue = Total Revenue – UFM Income GLACs

UFM Income GLACs = GLAC 508 + GLAC 526+GLAC 561+GLAC 562+GLAC 563+GLAC 564

The next several lessons will discuss each of the Income Statement's major components.

CONTINUE

7.4 Net Sales

1	+	Net Sales		\$ 7,000.00	
2	-	Cost of Good Sold	\$	4,900.00	70%
	=	Gross Income from Sales	\$	2,100.00	30%
3	+	Income from Other Activities	\$	500.00	6%
	=	Gross Income from Operations	\$	2,600.00	34%
4	-	Labor	\$	1,900.00	25%
5	-	Other Operating Expense	\$	200.00	3%
	=	Total Operating Expense	\$	2,100.00	27%
	=	Net Income from Operations	\$	500.00	6%
6	+	Other Income	\$	250.00	3%
7	-	Other Expense	\$	250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$	500.00	8%
8	-	Depreciation	\$	27.00	0%
	=	Net Income After Depreciation (NIAD)	\$	473.00	7%
		Total Revenue	\$	7,750.00	
		Net Revenue		6,500.00	

In this section, we will explore different types of sales revenue, such as sales and sales discounts.

Sales

The first section or component of the Income Statement is Sales, which can be defined as the income collected when goods or products permanently change hands to the consumer.

Sales occur when an activity exchanges a tangible good for payment. A soda, a hamburger, craft supplies, golf clubs, and bowling shoes are examples of tangible items Family and MWR activities might sell to customers.

Sales are recorded using GLACS in the 300s.

There are seven possible General Ledger Accounting Code (GLAC) listings for Sales. The first three are used to record sales income. The next three are used to record authorized reductions to sales. The seventh GLAC is used to record sales between activities within the same fund.

NOTE: Even if the activity does not sell anything, the Income Statement will still show the sales section, but there will be zeros representing the amount for Net Sales Revenue.

GLAC 301
Cash Sales

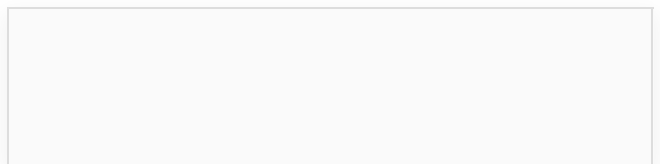
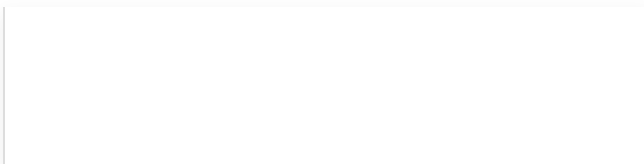
Used for both cash and commercial credit card (MasterCard, VISA, etc.) purchases.

GLAC 302
Credit Sales

Used for sales paid for with an in-house charge card such as a garrison card, a Family and MWR charge card, or an officer's club card. These are not commercial credit cards like MasterCard or Visa. People can use in-house charge cards at garrison activities only.

GLAC 303
Layaway Sales

Used for sales in which the merchandise is removed from the stock offered for sale while the customer makes regular payments over a specified period of time. Once payment is made in full, the customer receives the merchandise.



GLAC 304
Sales Returns and Allowances

Used for amounts that were refunded, for example, when someone buys a product and later returns the product. The product's original sales price is refunded to the customer. The refund amount is listed as

4 of 7

GLAC 305
Customer Discounts

Used to capture amounts discounted to customers. For example, an activity has a sale of a 25% discount, and a customer buys an item that originally cost \$100.00. With the sale, the customer would pay \$75.00 for the item. The original \$100 price is shown in

5 of 7

GLAC 306
Employee Discounts

Used to report the discount given to employees for meals. This discount is only appropriate in

food operations for employees on duty (per AR 215-1, Para. 7-38).

6 of 7

GLAC 307
Intrafund Sales

Used to record the amount of sales made to another activity of the same fund, when the items sold are from a resale inventory and are not transferred at cost. The sale will be recorded at a mutually agreed-upon price.

7 of 7

Net Sales

Net sales is the sum of GLACs 301 thru 307.

+	GLAC 301	Cash Sales	\$ 2,600.00
+	GLAC 302	Credit Sales	\$ 600.00
+	GLAC 303	Layaway Sales	\$ 750.00
-	GLAC 304	Sales Returns & Allowances	\$ 250.00
-	GLAC 305	Customer Discounts	\$ 1,250.00
-	GLAC 306	Employee Discounts	\$ 350.00
+	GLAC 307	Intrafund Sales	\$ 1,100.00
Total Net Sales			\$ 2,100.00

BEGINNING INVENTORY	PURCHASES	TRANSFERS	ENDING INVENTORY	DE
<p>The first entry in this section on the Income Statement is beginning inventory.</p> <p>This month's beginning inventory is last month's ending inventory. This year's beginning inventory is last year's ending inventory.</p> <p>Beginning Inventory isn't assigned a specific GLAC, but it is always included as part of the total goods available for sale.</p>				

BEGINNING INVENTORY	PURCHASES	TRANSFERS	ENDING INVENTORY	DE
<p>GLAC 401 is used when the activity purchases something from a vendor for resale. The NFS records that dollar amount under GLAC 401 (Purchases).</p>				

When the activity requisitions merchandise from the warehouse or storeroom, the NFS records that dollar amount under GLAC 402 (Warehouse/Storeroom Requisitions).

BEGINNING INVENTORY	PURCHASES	TRANSFERS	ENDING INVENTORY	DE
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Sometimes there is confusion about when to use GLAC 403 (Transfers from Other Funds) and GLAC 404 (Transfers from other Locations/Departments).

GLAC 403 (Transfers from Other Funds) occur when the activity transfers resale merchandise from one NAFI fund to another. They are listed in Appendix F of AR 215-1 and include the Chaplain's Fund and Transient Billeting Fund.

GLAC 404 (Transfers from Other Locations/Departments) occur when the activity transfers resale merchandise from one activity to another within the same fund or between departments in the same activity.

For example, if the post restaurant transfers some hot dog buns from its inventory to the child care center, GLAC 403 is used because the post restaurant belongs to a different NAFI fund than the child care center.

On the other hand, if the bowling centers snack bar transfers the hot dog rolls from its inventory to the child care center, NFS would use GLAC 404. In this case, the bowling center and child care center are both parts of the installation Family and MWR fund, and this is a transfer from one location to another location. This transfer would be recorded under GLAC 404.

An example of a transfer between departments would be when the club kitchen transfers lemons to the club bar to use as garnish. This transfer would be recorded under GLAC 404.

BEGINNING INVENTORY	PURCHASES	TRANSFERS	ENDING INVENTORY	DE
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The ending inventory is the amount of goods and merchandise remaining in the facility and available for sale as determined by the monthly physical inventory.

NFS keeps a running total of all the purchases, warehouse requisitions, and transfers received by an activity each month. These running totals become part of the activity’s inventory. When the activity takes the end of month inventory, any overages between the actual count and the running total at NFS is reported as GLAC 432 (Cost of Goods Sold, Inventory Overages).

The amounts listed for GLACs 401, 402, 403, 404, and 432 along with the beginning inventory are added to yield the total dollar amount for the goods the activity has available for sale this month.

BEGINNING INVENTORY	PURCHASES	TRANSFERS	ENDING INVENTORY	DE
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The other information the manager needs to know in order to calculate the COGS is the total deductions dollar amount. All the 400-series GLACs other than 401, 402, 403, 404, and 432 are used to figure total deductions. These include:

- Purchase returns and allowances.
- Transfers to other funds and transfers to other locations/departments.
- Deductions for spoilage, breakage, obsolescence (SBO), etc.

Total Deductions on the Income Statement is the sum of all of these deductions. NFS subtracts Total Deductions from the total goods available for sale (i.e., Ending Inventory) to determine the COGS.

BEGINNING INVENTORY	PURCHASES	TRANSFERS	ENDING INVENTORY	DE
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After the Net Sales Revenue and COGS amounts are determined, the Income Statement displays the Gross Income from Sales.

CONTINUE

7.5 Cost of Goods Sold (COGS)

1	+	Net Sales	\$	7,000.00	
2	-	Cost of Good Sold		\$4,900.00	70%
	=	Gross Income from Sales	\$	2,100.00	30%
3	+	Income from Other Activities	\$	500.00	6%
	=	Gross Income from Operations	\$	2,600.00	34%
4	-	Labor	\$	1,900.00	25%
5	-	Other Operating Expense	\$	200.00	3%
	=	Total Operating Expense	\$	2,100.00	27%
	=	Net Income from Operations	\$	500.00	6%
6	+	Other Income	\$	250.00	3%
7	-	Other Expense	\$	250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$	500.00	8%
8	-	Depreciation	\$	27.00	0%
	=	Net Income After Depreciation (NIAD)	\$	473.00	7%
		Total Revenue	\$	7,750.00	
		Net Revenue		6,500.00	

REMEMBER! Always include freight costs in the COGS.

Cost of Goods Sold (COGS)

Once an item is sold, the amount originally paid for the merchandise, including shipping and handling costs, is labeled Cost of Goods Sold (COGS), which is an expense.

For example, an activity sells a shirt for \$10.00. It is a cash sale and is listed on the Income Statement as GLAC 301. Assume the shirt cost the activity \$7.00. This is the Cost of Goods Sold.

To determine the selling price of an item, it is necessary to include freight costs for that item. If you don't include freight costs, you will not be able to calculate an accurate break-even or profit margin. This may result in your activity losing money.

To calculate COGS, you must know the:

- Dollar amount of goods available for sale.
- Dollar amount of goods not sold.

All the GLACs for Cost of Goods Sold begin with a "4."

Some of the 400-series GLACs identify all of the goods that were available for sale, and some identify goods that were not sold for various reasons.

Available for Sale		
	Beginning Inventory	\$ 8,000
401	Purchases	\$ 6,000
402	Warehouse/Storeroom Requisitions	\$ 1,500
403	Transfer from Other Funds	\$ 250
404	Transfer from Other Locations/Departments	\$ 500
432	COGS - Inventory Shortage	\$ 100
<hr/>		
+	Total Available for Sale	\$ 16,350
Deductions		
411	Purchase Returns	\$ 225
412	Warehouse/Storeroom Issues	\$ 300
413	Transfers to Other Funds	\$ 375
414	Transfers to Other Locations/Departments	\$ 1,100
416	Other Inventory Reductions	\$ 200
452	Promotion Expense	\$ 500
453	COGS - Customer Rejected Goods	\$ 150
454	COGS - Resale Merchandise Spoilage, Breakage, and Obsolescence	\$ 125
455	COGS - Warehouse/Storeroom Spoilage, Breakage, and Obsolescence	\$ 200
456	COGS - Inventory Shortage	\$ 75
	Ending Inventory	\$ 8,200
<hr/>		
-	Total Deductions	\$ 11,450
	Total Cost of Goods Sold (COGS)	\$ 4,900

Click each tab below to learn more.

BEGINNING INVENTORY	ENDING INVENTORY	AVAILABLE FOR SALE	DEDUCTIONS
<p>The first entry in this section on the Income Statement is beginning inventory.</p> <p>This month's beginning inventory is last month's ending inventory. This year's beginning inventory is last year's ending inventory.</p> <p>Beginning Inventory isn't assigned a specific GLAC, but it is always included as part of the total goods available for sale.</p>			

BEGINNING INVENTORY	ENDING INVENTORY	AVAILABLE FOR SALE	DEDUCTIONS
---------------------	------------------	--------------------	------------

The ending inventory is the amount of resale goods and merchandise remaining in the activity at the end of the month as determined by the monthly end-of-month physical inventory. While Ending Inventory does not have a GLAC, it is always the last item under the COGS section called Deductions.

This month's ending inventory is next month's beginning inventory. This year's ending inventory is next year's beginning inventory.

When the activity takes the end of month inventory and compares it to the Stock Record Cards or Bin Cards, any overage or shortage noted is reported in the GLAC 532 COGS – Inventory Overages or GLAC 564 COGS – Inventory Shortages.

BEGINNING INVENTORY	ENDING INVENTORY	AVAILABLE FOR SALE	DEDUCTIONS
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The following items are added together to determine the goods available for sale. Beginning Inventory. Beginning Inventory isn't assigned a GLAC, but is always included as part of the total goods Available for Sale.

GLAC 401 (Purchases). This GLAC is used when the activity purchases something from a vendor for resale. This includes shipping and handling. The dollar amount is recorded under GLAC 401.

GLAC 402 (Warehouse/Storeroom Requisitions). When the activity requisitions merchandise from the warehouse or storeroom, the dollar amount is recorded under GLAC 402.

GLAC 403 (Transfer from Other Funds). This GLAC is used when the activity receives transfers of resale merchandise from one NAFI fund to another. Example: The Post Restaurant (Post Restaurant Fund) transfers hot dog buns to the Community Club (MWR Fund). The Community Club will use this GLAC to record the dollar amount of the transfer because it is receiving the hot dog buns. This GLAC is used because the Post Restaurant Fund is a separate NAFI from the garrison's MWR Fund. NAFIs commonly found on a garrison include MWR Fund, Post Restaurant Fund, Civilian Welfare Fund, Chaplain's Fund, Army Lodging Fund, Fisher House Fund, and the Department of Defense Education Activity (DoDEA) Student Meal Program Funds.

GLAC 404 (Transfer from Other Locations/Departments). This GLAC is used when the activity receives transfers of resale merchandise from another activity within the same fund or between departments within the same activity. Example #1: The Bowling Center transfers hamburger buns to the Community Club. The Community Club uses this GLAC to record the amount of the transfer because it is receiving the hamburger buns. This GLAC is used because both the Bowling Center and the Community Club are part of the same NAFI. Example #2: The Community Club's Dining Room Department (which includes the kitchen) transfers olives to its Bar Department. The Bar Department will use this GLAC to record the dollar amount of the transfer because it is receiving the olives. This GLAC is used because both departments are within the same activity.

GLAC 432 (COGS – Inventory Overage). This GLAC is used to record the dollar amount of inventory overages which are discovered during the end-of-month inventory of resale merchandise. The activity maintains Stock Record/Bin Cards with a running total of all the purchases, warehouse requisitions, and transfers to or from other activities. These running totals become part of the activity's inventory. When the activity takes the end of month inventory, any overages between the actual count and the running total on the Stock Record/Bin is reported in GLAC 432.

Total Available For Sale. The total amount of resale goods and merchandise available for sale during the month are recorded on this line under COGS on the Income Statement. Total Available For Sale is the sum Beginning Inventory and GLACs 401, 402, 403, 404, and 432.

TOTAL AVAILABLE FOR SALE = BEGINNING INVENTORY + GLAC 401 + GLAC 402 + GLAC 403 + GLAC 404 + GLAC 432

BEGINNING INVENTORY	ENDING INVENTORY	AVAILABLE FOR SALE	DEDUCTIONS
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The other information the manager needs to know in order to calculate the COGS is the total deductions dollar amount. All the 400-series GLACs other than GLACs 401, 402, 403, 404, and 432 are used to figure total deductions. This includes purchase returns and allowances, transfers to other funds or other locations/departments, and deductions for spoilage, breakage, obsolescence (SBO) of resale goods and merchandise.

GLAC 411 (Purchases Returns). This GLAC is used to record the dollar amount resale merchandise returned by the customer or allowances taken. This could include damage things like golf shoes or bags returned because they are damage or allowance given to a customer who purchases a damage item.

GLAC 412 (Warehouse/Storeroom Issues). This GLAC is used to record the dollar amount of resale goods and merchandise are transferred from the activity's warehouse or storeroom to departments within the same activity or other activities/locations within the same NAFI.

GLAC 413 (Transfers to Other Funds). This GLAC is used to record the dollar amount of resale goods and merchandise to another NAFI.

GLAC 414 (Transfer to Other Locations/Departments). This GLAC is used to record the dollar amount of resale goods and merchandise transferred to another department within the same activity or to another activity/location within the same NAFI. Example #1: The Community Club's Dining Room Department (includes the Kitchen) transfers olives to its Bar Department. The Dining Room Department will use this GLAC because it is transferring (sending) the olives to the Bar. This GLAC is used because both departments are within the same activity. Example #2: The Bowling Center transfers hamburger buns to the Community Club. The Bowling Center uses this GLAC to record the amount of the transfer because it is transferring (sending) the hamburger buns to the Community Club. This GLAC is used because both the Bowling Center and the Community Club are part of the same NAFI.

GLAC 416 (Other Inventory Reductions). This GLAC is used infrequently. It is used to deduct the cost of unusual reductions in inventory from COGS. These include losses that result from a resale merchandise insurance claim or the cost of providing meals to employees free of charge. GLAC 452 (COGS – Promotions Expense). This GLAC is used to deduct the cost of merchandise consumed during promotions within the NAFI from COGS. This cost should match the amount being reporting in the activity's GLAC 652 (Promotion Expense) which is in the Operating Expense section of the Income Statement.

GLAC 453 (COGS – Customer Rejected Goods). This GLAC is used to deduct the costs of meals and beverages rejected by customers before sales are consummated for COGS.

GLAC 454 (COGS – Resale Merchandise Spoilage, Breakage, and Obsolescence). This GLAC is used to deduct the cost of food and bar items or other resale merchandise broken or spoiled from COGS. The amount should match the amount recorded in GLAC 654 (Resale Merchandise Spoilage, Breakage, and Obsolescence Expense) which is in the Operating Expense section of the Income Statement.

GLAC 455 (COGS – Warehouse/Storeroom Spoilage, Breakage, and Obsolescence). This GLAC is used to deduct the cost of broke, or spoiled warehouse inventory items from COGS. This includes inventory obsolescence losses reported to the garrison commander. The dollar amount should match the amount recorded in GLAC 655 (Warehouse/Storeroom Spoilage, Breakage, and Obsolescence Expense) which is in the Operating Expense section of the Income Statement.

GLAC 456 (COGS – Inventory Shortage). This GLAC is used to deduct the cost of inventory shortage of resale merchandise discovered in physical inventory counts from COGS. The dollar amount should match the amount recorded in GLAC 656 (Inventory Shortage Expense) which is in the Operating Expense section of the Income Statement.

Ending Inventory. Ending Inventory isn't assigned a GLAC, but is always included as part of the total dollar amount of goods deducted from COGS.

Total Deductions. The total amount of resale goods and merchandise deducted from COGS during the month are recorded on this line under COGS on the Income Statement.

Total Deductions is the sum GLACs 411, 412, 413, 414, 416, 452, 453, 454, 455, 456 and Ending Inventory.

TOTAL DEDUCTIONS = GLAC 411 + GLAC 412 + GLAC 413 + GLAC 414 + GLAC 416 + GLAC 452 +
GLAC 453 + GLAC 454 + GLAC 455 + GLAC 456 + ENDING INVENTORY

Cost of Goods Sold Percentage (COGS %)

The COGS % tells you the cost of goods sold for each dollar of Net Sales generated.

Once you know the Net Sales income and the COGS, you can determine the COGS % by taking the COGS and dividing it by the Net Sales.

$$\text{COGS} / \text{NET SALES} = \text{COGS \%}$$

CONTINUE

7.6 Gross Income From Sales

Gross Income From Sales

After the Net Sales and COGS amounts are determined, the Income Statement displays the Gross Income From Sales.

Gross Income From Sales is the amount of money left after the COGS have been subtracted.

1	+	Net Sales	\$	7,000.00	
2	-	Cost of Good Sold	\$	4,900.00	70%
	=	Gross Income from Sales	\$	2,100.00	30%
3	+	Income from Other Activities	\$	500.00	6%
	=	Gross Income from Operations	\$	2,600.00	34%
4	-	Labor	\$	1,900.00	25%
5	-	Other Operating Expense	\$	200.00	3%
	=	Total Operating Expense	\$	2,100.00	27%
	=	Net Income from Operations	\$	500.00	6%
6	+	Other Income	\$	250.00	3%
7	-	Other Expense	\$	250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$	500.00	8%
8	-	Depreciation	\$	27.00	0%
	=	Net Income After Depreciation (NIAD)	\$	473.00	7%
		Total Revenue	\$	7,750.00	
		Net Revenue		6,500.00	

Gross Income From Sales is calculated by taking the Net Sales and subtracting the COGS.

GROSS INCOME FROM SALES = NET SALES - COGS

Gross Income From Sales Percentage

Gross Income From Sales Percentage tells you the amount from each dollar of Net Sales which remain after the costs of goods have been subtracting.

Gross Income From Sales Percentage is calculated by taking the Gross Income From Sales and dividing it by Net Sales.

Gross Income From Sales % = Gross Income From Sales / Net Sales

The sum of COGS % and Gross Income From Sales % should always be 100%.

CONTINUE

7.7 Income From Other Activities

1	+	Net Sales	\$	7,000.00	
2	-	Cost of Good Sold	\$	4,900.00	70%
	=	Gross Income from Sales	\$	2,100.00	30%
3	+	Income from Other Activities	\$	500.00	6%
	=	Gross Income from Operations	\$	2,600.00	34%
4	-	Labor	\$	1,900.00	25%
5	-	Other Operating Expense	\$	200.00	3%
	=	Total Operating Expense	\$	2,100.00	27%
	=	Net Income from Operations	\$	500.00	6%
6	+	Other Income	\$	250.00	3%
7	-	Other Expense	\$	250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$	500.00	8%
8	-	Depreciation	\$	27.00	0%
	=	Net Income After Depreciation (NIAD)	\$	473.00	7%
		Total Revenue	\$	7,750.00	
		Net Revenue		6,500.00	

Income From Other Activities

Income from Other Activities is the next major revenue component on the Income Statement.

Income from Other Activities refers to operating income generated from activities where no tangible goods are transferred to the customer. This income is generated with services are provided to the customer.

Examples of income from Other Activities are child care fees, bowling center lane fees, golf green fees, recreation or activity fees, special event income, and rental usage fee income.

All the GLAC's for Income from Other Activities are found in the 500's, ranging from 501 to 599. the Total Income from Other Activities line item is the sum of all the income amounts listed in this section.

The 500-series GLACs are reported under Income From Other Activities.

GLAC	GLAC NAME	GLAC	GLAC NAME
501	Service/Recreation Activity Income	537	Local Telephone Income
502	Concessionaire Commission Income	538	Recyclable Material Income (Grant/Distribution)
503	Special Events Income	539	Amusement Machine Income (Non-Concessionaire)
504	Rental and Usage Fees Income	540	Recyclable Material Income (MWR Operation)
505	TV and Radio Rights Income	541	Commercial Travel Office Commission Income
506	Program and Brochure Income	542	APF Contract Income
507	Guaranteed Participation Income	543	USDA Income
508	UFM Income – Central MOA – Payroll	545	AAFES Dividend Income
509	Dues and Assessments Income	546	Insurance Premiums Income (IMCOM G-9 Only)
510	Foreign Government Reimbursements Income	547	Income from Allocation of Expenses
511	Cash Overage Income	548	Coupon and Special Offer Discounts
512	Inventory Overage Income	549	AAFES Other Income
513	Public/Private Venture Income	550	Consignment Income
514	Unofficial Travel Surcharge Income	551	Communications Services Income
515	Vendor Reimbursement Income	553	Commercial Sponsorship Income
516	Forfeited Layaway Sales Income	554	Food Purchase Rebate Income
517	Late Charge Assessment Income	555	Garnishment Processing Income (DFAS-Texas/Kana Only)
518	PDV Registration Fee Income (Europe Only)	557	Advertising Revenue Income
519	Operator License Fee Income (Europe Only)	558	Abandoned Automobile Income
520	Re-registration Fee Income (Europe Only)	559	VTO Concession Fee Income
521	Non-operational Vehicle Fee Income (Europe Only)	560	IMCOM G-9Sponsored Promotions
522	Weapons Registration Fee Income (Europe Only)	561	UFM/USA Income – Local MOA – Payroll
523	Returned Check Service Charge Income	562	UFM/USA Income – Local MOA – Non-payroll
524	ARM Profit Distribution Income (OCONUS Only)	563	UFM Income – Special – Payroll
525	ARM Expense Reimbursement Income (OCONUS Only)	564	UFM Income – Special – Non-payroll
526	UFM Income – Central MOA – Non-payroll	565	Athletic Hosting Reimbursements (USMA Only)
527	Service Charge Income	569	Gifts and Donations Income
528	Warehouse Price Variance Income	575	Cadet Athlete At-Home Meal Reimbursement (USMA Only)
529	Fishing Income	580	Regular Chapel Offering (Chaplains Fund Only)
530	Hunting Income	581	Receive Designated Offering (Chaplains Fund Only)
531	Greens Fee Income	582	Donation Income (Chaplains Fund Only)
532	Driving Range Income	583	Program Grant Income (Chaplains Fund Only)
533	Golf Cars/Carts Income	584	Drawdown Surcharge Income (HQ Level) (Chaplains Fund Only)
534	Instruction Fee Income	598	Intrafund Transaction Revenue
535	Lane Fees Income	599	Miscellaneous Other Operating Income
536	Shoe Rental Income		

CONTINUE

7.8 Gross Income From Operations

Gross Income From Operations

After determining Gross Income from Sales and Total Income From Other Activities, the Income Statement displays the Gross Income From Operations.

Gross Income From Operations is calculated by adding Gross Income from Sales and Total Income From Other Activities.

1	+	Net Sales	\$	7,000.00	
2	-	Cost of Good Sold	\$	4,900.00	70%
	=	Gross Income from Sales	\$	2,100.00	30%
3	+	Income from Other Activities	\$	500.00	6%
	=	Gross Income from Operations	\$	2,600.00	34%
4	-	Labor	\$	1,900.00	25%
5	-	Other Operating Expense	\$	200.00	3%
	=	Total Operating Expense	\$	2,100.00	27%
	=	Net Income from Operations	\$	500.00	6%
6	+	Other Income	\$	250.00	3%
7	-	Other Expense	\$	250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$	500.00	8%
8	-	Depreciation	\$	27.00	0%
	=	Net Income After Depreciation (NIAD)	\$	473.00	7%
		Total Revenue	\$	7,750.00	
		Net Revenue		6,500.00	

Gross Income From Operations Percentage (%)

Gross Income From Operations % is calculated by taking the Gross Income From Operations and dividing it by Total Revenue. Total Revenue will be discussed later.

Gross Income From Operations % = $\text{Gross Income From Operations} / \text{Total Revenue}$

CONTINUE

7.9 Operating Expenses

Expenses

Income is only half of the Income Statement. To calculate the net profit or loss, you must account for Expenses. The first expense the Income Statement lists and calculates is Operating Expenses.

The Income Statement separates Operating Expenses into Labor costs and Other Operating Expenses. As Labor is the largest single group of Operating Expenses, its expenses are listed first.

Labor Costs

Labor costs are the expense for work performed by employees of an organization. Labor consists of employee salaries/wages and benefits. Benefits include such elements as:

- FICA (Federal Insurance Contributions Act - Social Security).
- Worker's compensation insurance.
- Health insurance.
- 401K plan.
- Life insurance. Annual
- Sick leave.

1	+	Net Sales	\$	7,000.00	
2	-	Cost of Good Sold	\$	4,900.00	70%
	=	Gross Income from Sales	\$	2,100.00	30%
3	+	Income from Other Activities	\$	500.00	6%
	=	Gross Income from Operations	\$	2,600.00	34%
4	-	Labor		\$ 1,900.00	25%
5	-	Other Operating Expense	\$	200.00	3%
	=	Total Operating Expense	\$	2,100.00	27%
	=	Net Income from Operations	\$	500.00	6%
6	+	Other Income	\$	250.00	3%
7	-	Other Expense	\$	250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$	500.00	8%
8	-	Depreciation	\$	27.00	0%
	=	Net Income After Depreciation (NIAD)	\$	473.00	7%
		Total Revenue	\$	7,750.00	
		Net Revenue		6,500.00	

Also included in this total are performance bonuses and other monetary awards related to employee performance. The labor account codes range from 601 to 632.

ANNUAL LEAVE

Annual leave is accrued and listed on the Income Statement as GLAC 603 (US Annual Leave Expense) for US employees and GLAC 604 (Foreign Employee Annual Leave Expense) for foreign nationals. GLAC 604 is only used OCONUS.

The dollar amount of the accrued leave is reflected in the Income Statement every month as employees earn it.

Consequently, when an employee decides to take annual leave, the only expense reflected on the Income Statement that month is the expense of a substitute worker (if any) because the regular employee's salary or wages during leave have been set aside as they are accrued.

SICK LEAVE

On the other hand, sick leave is not accrued. Unlike annual leave, sick leave costs are not reflected on the Income Statement until it is taken.

Then the sick leave expense appears on the Income Statement as GLAC 605 (US Sick Leave Expense) for US employees or GLAC 606 (Foreign Employee Sick Leave Expense) for foreign nationals. GLAC 606 is only used OCONUS.

627	FSA Administration Fee Expense	726	Supplies Expense
648	APF Foreign National Reimbursed Payroll	727	Laundry and Dry Cleaning Expense
649	APF US Reimbursed Payroll	728	Ice Expense
650	Capital and Labor Costs (Note a credit) (GAC)	729	Utilities Expense
651	Management Expense	730	Communications Expense
652	Promotions Expense	731	Freight Expense
653	Customer Rejected Goods Expense	732	Operational Travel Expense
654	Retail Merchandise Spoilage, Breakage, and Obsolescence Expense	733	Insurance Premiums Expense
655	Warehouse/Storeroom Spoilage, Breakage, and Obsolescence Expense	734	Building and Contents Insurance Expense
656	Inventory Spoilage Expense	735	Advertising Expense
657	Facilities Maintenance and Repair Expense	736	Taxes and Licenses Expense
658	Equipment Maintenance and Repair Expense	737	Tort Claims Expense
659	Vehicle Maintenance and Repair Expense	738	Audit Expense
660	Training Expense	739	Cash Shortage Expense
661	Bad Debt Expense	740	Late Payment Interest Expense
662	Discount Loss Expense	741	Deposits Lost Expense
663	Bank Service Charge Expense	742	Capital Item - LPM
664	Vehicle Operating Expense	743	Commercial Credit Card Expense
665	Printing Expense	744	General Entertainment Expense
666	Vehicle License Plate Expense (IMCOM Europe Only)	745	Special Events Entertainment Expense
667	Vehicle Local Expense (IMCOM Europe Only)	746	Rental Expense
668	Gas Station Expense (AUF and MEDCOM MI Only)	747	Flowers and Decorations Expense
669	Door Price and Patronage Expense (note 4)	748	Official Housing and Reproduction, and Membership Expense
670	Sports Activities Expense	749	Tableware, Kitchenware, Linen, and Uniforms Expense
671	Awards and Trophies Expense	750	Ringo Prize Expense
672	Sports Officials Expense	751	Calculation Agency Expense
673	Recruiting Expense	752	****NOT IN USE****
674	Scouting Expense	753	ARM Distribution Expense (IMCOM G-9 Only)
675	Cadet Athletic At-Home Meal Expense (USMA Only)	754	FCS Expense
676	Visiting Team Billing and Meals Expense	755	Interest Expense
677	Program and Brochure Expense	756	****NOT IN USE****
678	Volunteer Service Expense	757	Commercial Communication Expense
679	Commemorative Memorials Expense (note 6)	758	Army Lodging Fund Surcharge Expense (AUF Only)
680	Warehouse Price Variance Expense	759	Cable Pay TV Expense
681	Commissary Price Expense	760	ASIA Administrative Surcharge Expense
682	Civilian Personnel Services Expense	761	Expendable Furniture and Equipment Expense
683	Administrative Support Branch Expense	762	Mass Transit Subsidy Expense
684	Central Procurement Office Expense	763	Athletic Housing Expense (USMA Only)
685	Central Accounting Office Expense	764	Gifts and Donations Expense
686	Contractual Services Expense	765	Pay Designated Offering (In) (Chaplains Fund Only)
688	Common Service Fund Expense	766	Pay Designated Offering (Ext) (Chaplains Fund Only)
689	Payroll Service Expense	767	Comm Sub-Acc Tax (HQ Level) (Chaplains Fund Only)
690	Outsourcing Expense	768	Drawdown Surcharge (HQ Level) (Chaplains Fund Only)
691	Meals and Snack Expense (Restricted to CDSVA & Lodging Continental Breakfast)	769	1.5% Quarterly Transfer (Chaplains Fund Only)
692	Training Travel Expense	770	Travel & Transport of Persons (Chaplains Fund Only)
693	Claims Expense	771	Travel & Transport of Things (Chaplains Fund Only)
694	Studies and Analysis Expense	772	Religious Education (Chaplains Fund Only)
695	Annuity Expense (IMCOM G-9 Only)	773	Religious Support (Adult) (Chaplains Fund Only)
696	Grant Expense (IMCOM G-9 Only)	774	Religious Support (Children) (Chaplains Fund Only)
697	Dividend Expense (MMA Funds)	775	Religious Support (Command) (Chaplains Fund Only)
698	Vending Machine Income During Expense	776	Religious Support (Enhancement) (Chaplains Fund Only)
699	Major Construction Expense (IMCOM G-9 Only)	777	Religious Support (Family Use) (Chaplains Fund Only)
703	Lease Expense	778	Religious Support (Musical) (Chaplains Fund Only)
704	Franchise Royalty Fees Expense	779	Religious Support (Youth) (Chaplains Fund Only)
705	Franchise Management Expense	780	Religious Support (Foreign Language) (Chaplains Fund Only)
706	Guaranteed Participation Expense (USMA Only)	781	Initial and Transaction Expense
707	West Point Army Athletics Outside Services Expense (USMA Only)	782	Miscellaneous Operating Expense
725	Library/Material Resource Expense		

1	+	Net Sales	\$	7,000.00	
2	-	Cost of Good Sold	\$	4,900.00	70%
	=	Gross Income from Sales	\$	2,100.00	30%
3	+	Income from Other Activities	\$	500.00	6%
	=	Gross Income from Operations	\$	2,600.00	34%
4	-	Labor	\$	1,900.00	25%
5	-	Other Operating Expense	\$	200.00	3%
	=	Total Operating Expense	\$	2,100.00	27%
	=	Net Income from Operations	\$	500.00	6%
6	+	Other Income	\$	250.00	3%
7	-	Other Expense	\$	250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$	500.00	8%
8	-	Depreciation	\$	27.00	0%
	=	Net Income After Depreciation (NIAD)	\$	473.00	7%
		Total Revenue	\$	7,750.00	
		Net Revenue		6,500.00	

Other Operating Expense

The second group of operating expenses, identified with GLACS 647-799, are Other Operating Expenses, which can be defined as:

“Costs of operation not associated with the cost of goods sold or labor that are consumed to provide a product or service to the customer. This category includes every cost, except labor, associated with providing a service or product.”



Total Operating Expense

Total Operating Expenses are the total of Labor and Other Operating Expenses.

1	+	Net Sales	\$	7,000.00	
2	-	Cost of Good Sold	\$	4,900.00	70%
	=	Gross Income from Sales	\$	2,100.00	30%
3	+	Income from Other Activities	\$	500.00	6%
	=	Gross Income from Operations	\$	2,600.00	34%
4	-	Labor	\$	1,900.00	25%
5	-	Other Operating Expense	\$	200.00	3%
	=	Total Operating Expense		\$ 2,100.00	27%
	=	Net Income from Operations	\$	500.00	6%
6	+	Other Income	\$	250.00	3%
7	-	Other Expense	\$	250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$	500.00	8%
8	-	Depreciation	\$	27.00	0%
	=	Net Income After Depreciation (NIAD)	\$	473.00	7%
		Total Revenue	\$	7,750.00	
		Net Revenue		6,500.00	

The GLACs making up Total Operating Expense - Labor GLACs

601	US Salaries and Wages Expense	617	US Employee Bonuses and Awards
602	Foreign Salaries and Wages Expense (OCONUS Only)	618	Foreign Employee Bonuses and Awards Expense (OCONUS Only)
603	US Annual Leave Expense	619	Foreign Employee Separation Pay Expense (OCONUS Only)
604	Foreign Annual Leave Expense (OCONUS Only)	620	US Unemployment Insurance Expense
605	US Sick Leave Expense	621	US Employee Compensatory Time Expense
606	Foreign Sick Leave Expense (OCONUS Only)	622	Army Medical Life Assessment Expense
607	US Workers' Compensation Insurance Expense	623	Home Leave Expense
608	Foreign Workers' Compensation Insurance Expense (OCONUS Only)	624	Other Benefits – US Employees
609	US Retroactive Wage Increases Expense (OCONUS Only)	625	Other Benefits – Foreign Employees (OCONUS Only)
610	Foreign Retroactive Wage Increases Expense (OCONUS Only)	626	Employer's Share of 401K Expense
611	Employer's Share of FICA	627	Employer's Share of Thrift Savings Plan Expense
612	Employer's Share of Health and Life Insurance Expense	628	US Employee Severance Pay Expense
613	Employer's Share of Retirement Plan Contributions Expense	629	US Post-Retirement Medical Benefits Assessment
614	Foreign Unemployment Insurance Taxes Expense (OCONUS Only)	630	Post Allowance Expense (OCONUS Only)
615	Foreign Medical Insurance Taxes Expense (OCONUS Only)	631	****NOT USED****
616	Foreign Welfare and Pension Taxes Expense (OCONUS Only)	632	Non Discretionary Income Bonuses



601	US Salaries and Wages Expense	617	US Employee Bonuses and Awards
602	Foreign Salaries and Wages Expense (OCONUS Only)	618	Foreign Employee Bonuses and Awards Expense (OCONUS Only)
603	US Annual Leave Expense	619	Foreign Employee Separation Pay Expense (OCONUS Only)
604	Foreign Annual Leave Expense (OCONUS Only)	620	US Unemployment Insurance Expense
605	US Sick Leave Expense	621	US Employee Compensatory Time Expense
606	Foreign Sick Leave Expense (OCONUS Only)	622	Army Medical Life Assessment Expense
607	US Workers' Compensation Insurance Expense	623	Home Leave Expense
608	Foreign Workers' Compensation Insurance Expense (OCONUS Only)	624	Other Benefits – US Employees
609	US Retroactive Wage Increases Expense (OCONUS Only)	625	Other Benefits – Foreign Employees (OCONUS Only)
610	Foreign Retroactive Wage Increases Expense (OCONUS Only)	626	Employer's Share of 401K Expense
611	Employer's Share of FICA	627	Employer's Share of Thrift Savings Plan Expense
612	Employer's Share of Health and Life Insurance Expense	628	US Employee Severance Pay Expense
613	Employer's Share of Retirement Plan Contributions Expense	629	US Post-Retirement Medical Benefits Assessment
614	Foreign Unemployment Insurance Taxes Expense (OCONUS Only)	630	Post Allowance Expense (OCONUS Only)
615	Foreign Medical Insurance Taxes Expense (OCONUS Only)	631	****NOT USED****
616	Foreign Welfare and Pension Taxes Expense (OCONUS Only)	632	Non Discretionary Income Bonuses



CONTINUE

7.10 Net Income From Operations

1	+	Net Sales	\$	7,000.00	
2	-	Cost of Good Sold	\$	4,900.00	70%
	=	Gross Income from Sales	\$	2,100.00	30%
3	+	Income from Other Activities	\$	500.00	6%
	=	Gross Income from Operations	\$	2,600.00	34%
4	-	Labor	\$	1,900.00	25%
5	-	Other Operating Expense	\$	200.00	3%
	=	Total Operating Expense	\$	2,100.00	27%
	=	Net Income from Operations	\$	500.00	6%
6	+	Other Income	\$	250.00	3%
7	-	Other Expense	\$	250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$	500.00	8%
8	-	Depreciation	\$	27.00	0%
	=	Net Income After Depreciation (NIAD)	\$	473.00	7%
		Total Revenue	\$	7,750.00	
		Net Revenue		6,500.00	

Net Income From Operations = Gross Income from
Operations – Total Operating Expenses

NET INCOME FROM OPERATIONS

Net Income from Operations is the next major component displayed in the Income Statement. It is the sum of revenue and expenses from operations.

Net Income From Operations is calculated by taking together Gross Income from Operations less Total Operating Expenses.

Net Income From Operations Percentage (%)

Net Income From Operations % is calculated by taking the Net Income From Operations and dividing it by Total Revenue. Total Revenue will be discussed later.

Net Income From Operations % = Net Income From Operations / Total Revenue

CONTINUE

7.11 Non-Operating Income and Expenses

Non-operating income and expenses come from sources unrelated to the core operations, which are not a direct result of operating the activity.

1	+	Net Sales	\$	7,000.00	
2	-	Cost of Good Sold	\$	4,900.00	70%
	=	Gross Income from Sales	\$	2,100.00	30%
3	+	Income from Other Activities	\$	500.00	6%
	=	Gross Income from Operations	\$	2,600.00	34%
4	-	Labor	\$	1,900.00	25%
5	-	Other Operating Expense	\$	200.00	3%
	=	Total Operating Expense	\$	2,100.00	27%
	=	Net Income from Operations	\$	500.00	6%
6	+	Other Income	\$	250.00	3%
7	-	Other Expense	\$	250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$	500.00	8%
8	-	Depreciation	\$	27.00	0%
	=	Net Income After Depreciation (NIAD)	\$	473.00	7%
		Total Revenue	\$	7,750.00	
		Net Revenue		6,500.00	

OTHER INCOME

OTHER EXPENSES

Other Income comes from activities not related to the core business operations. It can include interest from bank accounts and investments, income from the disposal of activity property, and contributions from charitable sources. Other Income includes GLACs 801 through 825.

Other Income GLACs

- 801 Interest Income
- 803 Gain or Loss on Disposal of Other Fund-Owned Property
- 805 ALF Payment for Guest House Investment Income
- 806 Non-operating Sources of Revenue
- 807 Contributions From Charitable Sources
- 808 NAF to APF Conversion Income
- 809 AMWRF Dividends
- 824 Discounts Earned
- 825 Miscellaneous Other Non-operating Income

OTHER INCOME

OTHER EXPENSES

Other Expenses include all costs not related to normal core business operations. They can include interest expense, loss on disposal of activity property, loss/gain on foreign currency transactions, and losses due to business based closures. Other Expenses include GLACs 826 through 850.

Other Expenses GLACs

826	Interest Expense
827	Loss or Gain on Disposal of Fixed Assets
828	Loss or Gain on Foreign Currency Transactions
829	****NOT IN USE****
830	Isolated Unit Dividend Expense (IMCOM G-9 Only)
831	Reserve Component Dividend Expense
832	Loss Due to Closure – Business Based
833	APF to NAF Conversion Expense
834	Capital Reinvestment Assessment
850	Miscellaneous Other Non-operating Expenses

Other Income and Other Expenses Percentages (%)

Other Income % = Other Income / Total Revenue

Other Expenses % = Other Expenses / Total Revenue

CONTINUE

7.12 Net Income Before Depreciation

1	+	Net Sales	\$	7,000.00	
2	-	Cost of Good Sold	\$	4,900.00	70%
	=	Gross Income from Sales	\$	2,100.00	30%
3	+	Income from Other Activities	\$	500.00	6%
	=	Gross Income from Operations	\$	2,600.00	34%
4	-	Labor	\$	1,900.00	25%
5	-	Other Operating Expense	\$	200.00	3%
	=	Total Operating Expense	\$	2,100.00	27%
	=	Net Income from Operations	\$	500.00	6%
6	+	Other Income	\$	250.00	3%
7	-	Other Expense	\$	250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$	500.00	8%
8	-	Depreciation	\$	27.00	0%
	=	Net Income After Depreciation (NIAD)	\$	473.00	7%
		Total Revenue	\$	7,750.00	
		Net Revenue		6,500.00	

Net Income Before Depreciation (NIBD) is the primary gauge of financial performance. An NIBD which achieves financial standards and budgeted goals assures a financially successful operation. It measures the activity's profit or loss before depreciation expenses are deducted.

If the NIBD matches the target amount on the approved budget, the activity is performing as expected, and the manager and employees should continue their winning ways. However, if the NIBD is more or less than the budgeted amount, the

manager needs to analyze the monthly Income Statement to determine the causes of the activity's performance. Corrective actions may need to be taken if NIBD is less than the budgeted amount or if NIBD is more than budget due to errors. If the increase in NIBD from the budget is due to better control of income and expenses, continue the good work. However, be careful not to reduce quality and services to achieve a higher NIBD. This could have a long-term negative effect on operations. A budget revision may be needed to reflect operational changes that cause the increase or decrease in NIBD.

NIBD is calculated by taking Net Income from Operations and adding Other Income, and subtracting Other Expenses.

$$\text{NIBD} = \text{Net Income From Operations} + \text{Other Income} - \text{Other Expenses}$$

Net Income Before Depreciation Percentage (NIBD %)

NIBD % is calculated by taking the NIBD and dividing it by Net Revenue. Net Revenue will be discussed later.

$$\text{NIBD \%} = \text{NIBD} / \text{Net Revenue}$$

CONTINUE

7.13 Depreciation

1	+	Net Sales	\$	7,000.00	
2	-	Cost of Good Sold	\$	4,900.00	70%
	=	Gross Income from Sales	\$	2,100.00	30%
3	+	Income from Other Activities	\$	500.00	6%
	=	Gross Income from Operations	\$	2,600.00	34%
4	-	Labor	\$	1,900.00	25%
5	-	Other Operating Expense	\$	200.00	3%
	=	Total Operating Expense	\$	2,100.00	27%
	=	Net Income from Operations	\$	500.00	6%
6	+	Other Income	\$	250.00	3%
7	-	Other Expense	\$	250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$	500.00	8%
8	-	Depreciation	\$	27.00	0%
	=	Net Income After Depreciation (NIAD)	\$	473.00	7%
		Total Revenue	\$	7,750.00	
		Net Revenue		6,500.00	

Depreciation is a way to allocate the cost of a fixed asset over its expected useful life. Fixed assets are those items that cost \$2,500 or more (or like items costs \$100 or more with a total costs of \$2,500 or more)” and have a useful life of two or more years.

THE FUND PAID FOR THE FIXED ASSET UPFRONT If the total cost were expensed against the activity during that month, the activity would take a big hit and may have a negative NIBD.

COST IS PRORATED Fixed assets have a useful life of two years or more, so we prorate the original cost over the course of its useful life on the Income Statement.

NOT A SAVINGS ACCOUNT It is not a savings account; it is a more accurate way to show expenses on financial statements.

The Army uses the straight-line method of depreciation. This method calculates the monthly depreciation by dividing the fixed asset's total cost by the number of months of life expectancy. The resulting figure is identified as depreciation on the Income Statement each month.





Straight Line Method of Depreciation

For example, an activity purchased a camper for \$14,400, a fixed asset with a life expectancy of 5 years or 60 months. The manager would calculate the depreciation by dividing \$14,400 by 60. The result of that calculation (\$240) would be the depreciation expense for that item for each of

the next 60 months. The depreciation expense, rather than the original purchase price, appears on the Income Statement



Policy Execution Procedures (PEP), Chapter 32

Usually, the activity manager is responsible for determining how long a fixed asset is going to last. The guidelines for establishing the depreciation schedule can be found in PEP, Chapter 32. This table lists depreciable fixed assets and gives a life expectancy range for each. For example, Table 4-1 tells the manager that he/she cannot depreciate the construction of a new building for less than 15 years or more than 40 years.

Table 4-1, Depreciation Periods

Description	Life Expectancy
-------------	-----------------

Buildings	15-40 years
Building Improvements	5-30 years
Furniture, Fixtures, and Equipment	2-10 years
Vehicles, Aircraft, and Boats	2-7 years
Computer Hardware and Software	2-3 years
land Improvements	5-25 years

Depreciation is reported in GLACs 851 through 860

- 851 Buildings Depreciation Expense
- 852 Building Improvements Depreciation Expense
- 853 Furniture, Fixtures, and Equipment Depreciation Expense
- 854 Vehicles, Aircraft, and Boats Depreciation Expense
- 855 Land Improvements Depreciation Expense
- 856 Breeding Livestock Depreciation Expense
- 857 Other Government Titled Fixed Assets Depreciation Expense
- 858 Government Titled Buildings and Improvements Depreciation Expense
- 859 Maintenance and Repair of Facilities Depreciation Expense
- 860 APF Authorized Fixe Asset Depreciation Expense

CONTINUE

7.14 Net Income After Depreciation

NET INCOME AFTER DEPRECIATION (NIAD)

Once Depreciation is determined, the Income Statement displays the Net Income After Depreciation (NIAD).

NIAD is the profit or loss after all revenue and expenses have been reported, including depreciation.

NIAD is calculated by taking NIBD and subtracting Depreciation.

$NIAD = NIBD - Depreciation$

Net Income After Depreciation Percentage (NIAD %)

NIAD % is calculated by taking the NIAD and dividing it by Net Revenue. Net Revenue is discussed in the next lesson.

$NIAD \% = NIAD / Net\ Revenue$

1	+	Net Sales	\$	7,000.00	
2	-	Cost of Good Sold	\$	4,900.00	70%
	=	Gross Income from Sales	\$	2,100.00	30%
3	+	Income from Other Activities	\$	500.00	6%
	=	Gross Income from Operations	\$	2,600.00	34%
4	-	Labor	\$	1,900.00	25%
5	-	Other Operating Expense	\$	200.00	3%
	=	Total Operating Expense	\$	2,100.00	27%
	=	Net Income from Operations	\$	500.00	6%
6	+	Other Income	\$	250.00	3%
7	-	Other Expense	\$	250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$	500.00	8%
8	-	Depreciation	\$	27.00	0%
	=	Net Income After Depreciation (NIAD)	\$	473.00	7%
		Total Revenue	\$	7,750.00	
		Net Revenue		6,500.00	

CONTINUE

7.15 Total Revenue and Net Revenue

1	+	Net Sales	\$	7,000.00	
2	-	Cost of Good Sold	\$	4,900.00	70%
	=	Gross Income from Sales	\$	2,100.00	30%
3	+	Income from Other Activities	\$	500.00	6%
	=	Gross Income from Operations	\$	2,600.00	34%
4	-	Labor	\$	1,900.00	25%
5	-	Other Operating Expense	\$	200.00	3%
	=	Total Operating Expense	\$	2,100.00	27%
	=	Net Income from Operations	\$	500.00	6%
6	+	Other Income	\$	250.00	3%
7	-	Other Expense	\$	250.00	3%
	=	Net Income Before Depreciation (NIBD)	\$	500.00	8%
8	-	Depreciation	\$	27.00	0%
	=	Net Income After Depreciation (NIAD)	\$	473.00	7%

Total Revenue

\$ 7,750.00

Net Revenue

6,500.00

Total Revenue

Total Revenue is the amount of all sales and other income reported in the Income Statement.

Total Revenue is used to calculate percentages for:

- Income from Other Activities • Gross Income from Operations
- Labor
- Other Operating Expenses

- Total Operating Expenses
- Net Income from Operations
- Other Income
- Other Expenses
- Depreciation

Total Revenue is the sum of Net Sales, Total Income from Other Activities, and Other Income.

Total Revenue = Net Sales + Income from Other Activities + Other Income

Net Revenue

Net Revenue is the amount of Total Revenue less UFM Income. Net Revenue is used to calculate percentages for:

• Net Income Before Depreciation (NIBD)

• Net Income After Depreciation (NIAD)

UFM Income is the sum of GLACs 508, 526, 561, 562, 563, and 564.

Net Revenue = Total Revenue – UFM Income

UFM Income GLACs

GLAC 508 UFM Income - Central MOA - Payroll

GLAC 526 UFM Income - Central MOA - Non-payroll

GLAC 561 UFM/USA Income - Local MOA - Payroll

GLAC 562 UFM/USA Income - Local MOA - Non-Payroll

GLAC 563 UFM Income - Special - Payroll

GLAC 564 UFM Income - Special - Non-Payroll

CONTINUE

Lesson 45 of 45

Lesson 7 Knowledge Check

Question

01/06

Which of the following is **NOT** a true statement about the Income Statement?

- It tracks revenue and expenses at the ID and garrison levels only.
- It gives an accounting of income and expenses.
- It is produced at the end of each month.
- In addition to a monthly report, it provides a Year to Date (YTD) report.

Question

02/06

Which of the following are the GLACs used to record Cost of Goods Sold?

300s

400s

500s

600s

Question

03/06

Other Operating Expenses include COGS

True

False

Question

04/06

Use your mouse to drag the GLAC categories to the appropriate description.

⋮ Sales.

GLACS in the 300s

⋮ Cost of Goods.

GLACS in the 400s

⋮ Income from Other Activities.

GLACS in the 500s

⋮ Labor and Other Operating Expenses.

GLACS in the 600-700s

Question

05/06

By expensing the cost of a fixed item over the useful life of the item, depreciation is a more accurate way to show expenses on the financial statement.

True

False

Question

06/06

The Financial Statement is made up of two parts. These parts are:

- The Income Statement and the Balance Sheet.
- The Balance Sheet and the General Ledger.
- The Income Statement and the Payroll Report.
- The General Ledger and the Memorandum of Agreement.