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GENERAL RULES FOR RECORDING EXPENSES

OPERATING EXPENSES (GL Control Account)

All operating expenses of the credit union are to be recorded in the General Ledger. The individual expense charges identified to each separate operating expense classification in the Journal and Cash Record should be posted individually or in summary total for the month to the related expense accounts in the General Ledger. At the option of the credit union, an Operating Expenses (Control) account and an Expense Ledger may be used to summarize the detailed expense charges. The expense accounts in this series should be closed into "*Net Income (Loss)*".

Approval Of Expenses

The board of directors of each credit union is responsible for insuring that all expenses are reasonable in amount and necessary to the operation of the credit union. Expenses incurred must be submitted to the board of directors for approval. For many routine recurring expenses, the approval may take place during the review of expenses at each monthly board meeting, which would constitute an after-the-fact approval of the expense items. On the other hand, larger or non-routine expenditures should be specially authorized by the board before the obligation is incurred, unless the expenditure is contained in a budget which has previously been approved by the board.

Disbursements for expenses should be supported by invoices, receipts or vouchers giving a complete description and the details of the items involved. Reimbursements of officers, directors, committee members and employees for expenses incurred by them in connection with the conduct of credit union business or attendance at credit union affairs are permissible. Reimbursement can only be made when actual expenses of a reasonable amount are supported by an itemized expense account with supporting receipts and vouchers. A fixed or standard rate type reimbursement cannot be made to directors or officers for time spent in connection with attendance at credit union meetings or affairs.

In cases where credit union personnel receive expense funds in advance, an accounting should be made to the credit union promptly after the event for which the funds were advanced. If the funds advanced exceed the actual itemized expenses of a reasonable amount incurred by the individual, the unused balance of the advance should be returned to the credit union. On the other hand, if the actual itemized expenses of a reasonable amount incurred exceed the amount of the advance, the individual should be reimbursed for the additional amount covered by his accounting.

Substantial expenses applicable to the current accounting period which will not be paid promptly should be charged to the appropriate expense account and credited to *Accounts Payable* at the time the expense is incurred.

Income should not be netted against expenses for individual items such as share drafts, data processing, arbitrage activities, etc. Such a netting procedure is not consistent with GAAP and distorts income and expense. Rather, all income, expenses, gains and losses affecting each accounting or dividend period should be recorded through income and expense accounts.

Entries in the Journal and Cash Record

Each account in this series should be debited as an "Operating Expenses (Control)" in the Journal and Cash Record when an expense is paid or incurred. Such accounts should be credited with the amount of adjustments and refunds made. The specific account classification of each item should be shown in within "Accounts."

Debits to the "Operating Expenses (Control)", should be recorded as normal entries, but credits should be entered in red or in parentheses. When totaling the column at the month end, the items in red or in parentheses should be deducted from other items to reach a net total of charges for the month.

Posting to the General Ledger

The total of the operating expense charges and credits recorded in the Journal and Cash Record should be posted to the appropriate accounts in the General Ledger at the end of each month.

Illustrative Entries

a) When a check is issued in payment of any classification of operating expenses, e.g., payment for rental of office quarters:

Dr.- Rent	\$125.00	
Cr.- Cash		\$125.00

b) Whenever a cash refund is received representing an overpayment of an operating expense; e.g. overpayment of utility expenses:

- | | | |
|----------------|---------|---------|
| Dr.- Cash | \$16.25 | |
| Cr.- Utilities | | \$16.25 |
- c) To record depreciation of furniture and equipment:
- | | | |
|--|---------|---------|
| Dr.- Depreciation of Furniture and Equipment | \$65.00 | |
| Cr.- Allowance for Depreciation of Furniture and Equipment | | \$65.00 |
- d) To record amount of adjustment to increase the Allowance for Loan Losses account:
- | | | |
|--------------------------------|----------|----------|
| Dr.- Provision for Loan Losses | \$175.00 | |
| Cr.- Allowance for Loan Losses | | \$175.00 |
- e) When any part or the entire amount of the "Unamortized Organization Costs" is written off:
- | | | |
|---------------------------------------|---------|---------|
| Dr.- Miscellaneous Operating Expenses | \$12.50 | |
| Cr.- Unamortized Organization Cost | | \$12.50 |
- f) When an expense is incurred for promotional or advertising material and the check in payment is not immediately forwarded:
- | | | |
|-------------------------------|----------|----------|
| Dr.- Publicity and Promotions | \$108.50 | |
| Cr.- Accounts Payable | | \$108.50 |

MODIFIED CASH BASIS OF ACCOUNTING

Detailed Transactions

Debit:

a) With charges to each expense classification as recorded in the Journal and Cash Record at the close of each month. These charges should include transactions disbursed in cash as well as expense transactions not involving cash disbursements, such as entries to depreciate fixed assets, establish or increase the allowance for loan losses, etc.

Credit:

- a) With credit entries to each expense classification as recorded in the Journal and Cash Record at the close of each month.
- b) With balance of account when books are closed (transfer to the *Net Income (Loss)* account).

ACCRUAL BASIS OF ACCOUNTING

Credit unions following the accrual basis of accounting should record significant amounts of operating expenses in such a manner as to allocate the expenses to the period to which applicable regardless of when due and payable. This should be accomplished by recording expenses as accounts payable or accrued expenses if the amounts have not been paid, or as prepaid or deferred charges if paid but applicable to future periods.

*Detailed Transactions*Debit:

- a) With charges to each expense classification as recorded in the Journal and Cash Record at the close of each month. These charges should include transactions disbursed in cash as well as those expense transactions not involving cash, such as entries to record accruals of unpaid bills, to depreciate fixed assets, to establish or increase the allowance for loan losses, to write off to cost appropriate amounts previously recorded as prepaid or deferred expenses, etc.

Credit:

- a) With credits to each expense classification as recorded in the Journal and Cash Record at the close of each month. These entries will include

both cash refunds of operating expenses and other transactions, such as adjustments of accruals, decreases in the allowance for loan losses, etc.

- b) With balance of account when books are closed (transfer to the *Net Income (Loss)* account).

Expense Ledger

A subsidiary record of expenses is useful to analyze the expenses and to prepare the expense section of the Statement of Income. The optional Expense Ledger can be used for this purpose.

When posting to the Expense Ledger all debits and credits are entered as "Expense Total" and the proper amounts are extended in the distribution to the right. The credit postings are entered in red or in parentheses and subtracted from the total of the other items involved. The grand total of the distribution must be the same as the total of the "Expense Total" of the Expense Ledger and this total must agree with the balance of the "Operating Expenses Control."

Expense Classification - The Expense Ledger provides separate itemization for the primary classifications of the expenses occurring in the operations of the credit unions. Expense categories for which subordinate expense classifications are recommended also provide a designator for use in identifying the particular sub-classification of expense relating to each entry. The sub-classification account numbers should be inserted in the space provided to enable the credit union to analyze its expenses within each primary classification. The totals should be used for preparing the Statement of Income. This Statement provides only for reporting the primary classifications.

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INTEREST EXPENSE

MEMBERS' SHARES AND SAVINGS ACCOUNTS

Dividend Expenses

Regular Share Dividend Expense
Share Draft Dividend Expense
Club Account Dividend Expense
Ira/Keogh Dividend Expense
Ira/Keogh Certificate Dividend Expense
Share Certificate Dividend Expense
Money Market Dividend Expense
Other Dividend Expense

The above account classifications include the amount of dividends for each type of share account chargeable to the current accounting period based upon action by the board of directors, estimates, or per contractual agreements. The entries recording the dividend expense should be made no later than the last day of each dividend period regardless of whether the dividends were actually authorized by

the directors on that date, or before or after that date. Offsetting entries for charges to these accounts should be made to the appropriate accrued dividends payable account, dividends payable account or, if dividends are credited to members' accounts on the last day of the dividend period, to the appropriate General Ledger Share Account. When the board of directors defers action to declare dividends until the first month following the dividend period, entries should be made retroactively as of the close of the affected dividend period.

At the option of the board of directors, the estimated dividends anticipated to be paid for any dividend period may be recorded by monthly entries to spread the cost over the months comprising the dividend period. Under this optional procedure, the dividends should be allocated to the month that the expense was incurred, regardless of whether the dividends were declared or not. Accordingly, estimated dividends should be charged to their appropriate dividend expense accounts monthly. When this procedure is used, the offsetting credit is to the appropriate accrued dividends payable ac-

count. When the actual dividends are paid in cash or credited to shares, the balances in the appropriate dividends payable or accrued dividends payable account should be cleared.

Credit unions which accrue dividend expenses on a more frequent basis than the actual dividend period should record the liability in "Accrued Dividends Payable". For example, a credit union which declares and pays quarterly dividends but accrues dividend expense monthly would record the liability in account "Accrued Dividends Payable" in between actual dividend periods. Refer to "Dividends Payable" and "Accrued Dividends Payable" in Liabilities – Section 400 of this manual for further guidance and illustrative entries.

Interest on Deposits

This account normally is not applicable to federal credit unions. However, its use may be appropriate for allocating the cost of interest-bearing deposits (deposits that are not considered shares) to the current accounting period.

BORROWED FUNDS

Interest On Borrowed Money

This classification includes the interest cost to the credit union for borrowed money. This includes interest paid on promissory notes, notes payable, mortgage notes payable, reverse repurchase agreements, Fed Funds and obligations under capital leases. For low-income designated credit unions, this account would also include interest associated with secondary capital accounts. Refer to "Borrowed Funds", "Accrued Interest Payable on Borrowed Funds" and "Subordinated CDCU Debt" in Liabilities – Section 400 of this manual for further guidance.

Illustrative Entries

- a) To record interest paid in conjunction with a mortgage note payable.

Dr.- Mortgage Notes Payable	\$400.00	
Dr.- Interest on Borrowed Money	10.96	
Cr.- Cash		\$410.96

Detailed Transactions

Debit:

- a) With periodic interest payments related to borrowed funds.

Imputed Interest Costs

Imputed interest costs are those which are derived from a computation of interest costs using an implicit interest rate. Interest costs result from the application of an approximated market interest rate to a note or other obligation of the credit union. The rate is used to discount the liability of the credit union to its present value. The Effective Interest Rate Method of computing interest (simple interest applied to the unpaid balance) is then used to determine the amount of periodic interest costs that should be recorded in this account. This approximates the cost of borrowing when the interest rate is not known, or when the rate is unrealistically low for the type of transaction.

Imputed interest costs often occur with transactions that include the exchange of long-term obligations for goods or services and a rate of interest has not been stipulated by the contracting parties or the stated rate is unreasonable relative to the current market conditions. The imputed rate is used in conjunction with determining the market value of the note and the cost of borrowing. Typical transactions include the purchase of long-term leases or loans, e.g., student loans.

Unexercised Commitment Fees

This account should be used to expense commitment fees paid to borrow funds where the commitment expires unexercised.

Commitment Fees On Borrowed Funds

This account should be used to expense commitment fees paid to borrow funds where the commitment fees are expensed based on the straight-line method of amortization.

PROVISION FOR LOAN LOSSES

This account is used to record the periodic charge(s) to operating expense necessary to maintain a reasonable allowance for loan losses. The amount of the current period provision should be adequate to establish or to increase the allowance to a sufficient level to cover estimated losses inherent in the loan portfolio. The use of sub accounts for the various types of loans is optional. However, their use provides valuable information when conducting loan analysis.

The accounts should be charged only with amounts required to establish or increase the balance of the "Allowance for Loan Losses" in order to provide for estimated probable losses existing on outstanding loans and other receivables. The accounts should be credited only with amounts to decrease the allowance to provide for such current estimated probable losses. All charge-offs of uncollectible loans and other receivables as well as non-recoverable costs chargeable to borrowers should be debited directly to the allowance when cleared from the asset account(s) with the prior approval of the board of directors. Regular and consistent funding of the *Allowance for Loan Losses* should be carried out at least quarterly, and in some cases monthly, to ensure uniform charges to the *Provision for Loan Losses* over the annual accounting period. Refer to "Allowance for Loan Losses" in Assets – Section 300 for further guidance and illustrative entries.

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NON-INTEREST EXPENSE

COMPENSATION AND BENEFITS

Compensation

Salaries

This classification is to include all compensation of the treasurer and the salaries of all credit union employees such as the manager, assistant treasurer, bookkeepers, tellers and other office employees. This account also includes amounts paid to employees as bonuses. This account should include that portion of compensation which represents social security taxes withheld from employees' pay.

Reimbursement To Sponsor For Payroll-Related Services

When credit union employees are on the sponsor company's payroll and the company bills the credit union a lump-sum for the salary, fringe benefits and other services it provides, reimbursement by the credit union should be recorded in this account. If the sponsor company's billing shows a break-

down so that the credit union can determine the amount of salary and miscellaneous benefits, the reimbursement should be classified in the appropriate expense subsidiary categories.

Other Compensation

This account includes all other compensation expenses chargeable to the current accounting period that are not specifically accounted for in the previous accounts.

Employee Benefits

Pension Plan Costs

This classification includes all charges to expense relating to the credit union's pension plan. Although the plan termination insurance and the contingent liability insurance could be included in this category, it is recommended that these two insurance costs, along with fiduciary liability insurance, be included in an "Insurance" account. A full discussion of pension plan accounting is beyond the scope of this Manual – seek the assistance of an independent accountant who can inform you con-

cerning accounting rules for pensions under generally accepted accounting principles.

Social Security Taxes (Employer's Share)

This classification includes only the employer's (credit union's) share of social security taxes which are paid on salaries. Social security taxes withheld from the employee's salaries should not be recorded in this account, but should be included in "Salaries". See "Social Security Taxes Payable".

Unemployment Compensation Taxes

This classification includes the employer's (credit union's) costs for Federal and state unemployment compensation taxes which are paid by the credit union on salaries.

Other Employee Benefits

This classification includes the costs to the credit union of other benefits provided to employees; e.g., group life insurance costs.

OCCUPANCY

Office Occupancy Expenses

Rent

This classification includes the cost of rent for space occupied.

Maintenance Of Building

This classification includes all costs incurred relating to the maintenance of a building owned or occupied by the credit union.

Utilities

This classification includes all utility costs related to space occupied by the credit union for heat, light, water, etc.

Depreciation Of Buildings

This classification includes the aggregate amount written off to expense in the current period for the depreciation of buildings owned by the credit union.

Amortization Of Leasehold Improvements

This classification includes the prorated portion of leasehold improvement costs that are charged to the current period. Leasehold improvement costs should be systematically amortized over the assets' useful lives or the period covered by the lease agreement, whichever period is less.

Real Estate Taxes

This expense account includes the costs of real estate taxes on buildings owned by the credit union.

Depreciation Expense For Leased Assets

This account includes the prorated portion of leased asset costs that are charged to the current period. The costs of leased assets should be systematically depreciated over the assets' useful lives or the period covered by the lease agreement, whichever period is less. Assets included in this category should be directly related to space and/or building occupancy.

Other Office Occupancy Expenses

This account should include all other office occupancy costs that are charged to the current period.

OTHER GENERAL AND ADMINISTRATIVE

Office Operations Expenses

Communications

This classification includes all charges for telephone, telegraph, and postage expense.

Rental Of Furniture And Equipment

This classification includes the cost of leased furniture and equipment. It does not, however, include the cost of leases that are, or should be, carried as Capital Leases.

Maintenance Of Furniture And Equipment

This classification includes costs incurred for maintenance of office machines and other equipment, including the cost of service contracts.

Stationery And Supplies

This classification includes the cost of stationery, paper, printed forms, binders, pencils, calendar pads, ink, and other supplies incidental to the operation of the credit union.

Insurance

This subsidiary classification includes all insurance premiums except share insurance, loan protection, life savings and chattel lien non-filing insurance. It will include such insurance as surety bond coverage, compensation, fire, windstorm, public liability, property damage, burglary, robbery, etc. See "Other Prepaid Insurance" concerning the handling of surety bond premiums paid in advance.

Depreciation Of Furniture And Equipment

This account includes the aggregate amount of furniture and equipment depreciation expense that is charged to the current accounting period. Corresponding credits are recorded in the "Allowance for Depreciation of Furniture and Equipment". For additional information, refer to "Furniture and Equipment".

Bank Service Charges

This classification includes charges made by the bank, usually against the credit union's bank account, for services in connection with handling the account. Normally, these charges are listed on the bank statement and should be recorded in the Journal and Cash Records promptly after receipt of the

bank statement. The corresponding credit is recorded in Cash Account.

Other Office Operations Expenses

This account should include all the other office operating costs that are charged to the current period, not specifically accounted in any of the previous accounts.

Travel And Conference Expenses***Employees' Travel And Conference Expenses***

This account includes authorized expenses incurred by credit union employees (other than officers and directors) for travel, attendance at conferences and other meetings.

Officers' And Directors' Travel And Conference Expenses

This classification includes authorized expenses incurred by officers (including the Treasurer) and directors for travel, attendance at conferences and other meetings. (**Note:** The expenses of officers and directors in connection with efforts to collect loans should not be included in this account but should be charged to "Collection Expenses").

Other Travel And Conference Expenses

This account includes all other travel and conference expenses chargeable to the current accounting period that are not specifically accounted for in the previous accounts.

Educational And Promotional Expenses***Advertising***

This classification includes expenses incurred for advertising, such as advertisements or notices in newspapers, periodicals, radio or television.

Publicity And Promotions

This classification includes the costs that are chargeable to the current accounting period for educating the members in the functions and purposes

of credit unions. Additionally, this account is used to allocate the cost of nominally priced promotional items to the current accounting period.

Note: The expenses of directors and committee members, including travel and meals away from home, in connection with meetings of the official staff of the credit union and similar expenses of such officials in attendance at chapter, league and other credit union affairs should not be included in this classification. These latter expenses should be included under Employees' Travel and Conference Expenses or Officers and Directors' Travel and Conference Expenses. Additionally, other educational and training costs should be recorded in "Other Educational and Promotional Expense."

Other Educational And Promotional Expenses

This account includes all other educational and promotional costs chargeable to the current accounting period that are not specifically accounted for in the previous accounts.

Loan Servicing Expenses

Collection Expenses

This classification includes the costs incidental to the collection of delinquent loans. Generally, this includes expenses of officials and employees incurred in connection with efforts to collect loans. Such costs are usually not recoverable from the borrower. Collection costs which have been advanced to an outside source may also be charged to this account. See Specialized Accounting - Collection of Loans by Outside Sources.

Recording Fees-Chattel Lien Insurance

This classification includes the cost of recording liens on personal or real property accepted as security for loans. It also includes the premiums on chattel lien non-filing insurance policies.

Credit Reports

This classification includes costs of credit reports obtained by the credit union.

Refunds-Real Estate Finance Charges

This classification includes refunds made to members on real estate loans where prepayment of the loans causes the maximum interest rate limitation to be exceeded because of points or service charges paid by the borrowers when the loans were made. Refer to Topics of Special Interest – Section 800 of this manual for further guidance and illustrative entries.

Credit Card Program Expenses

This account is used to record appropriate credit card program expenses. Refer to Topics of Special Interest – Section 800 of this manual for further guidance and illustrative entries. Such expenses will include the cost of the cards, separate billing statements, or service fees paid in connection with the program.

Service Fees On Loans Purchased

This account is used to record service fee expenses incurred as the result of purchasing loans that are being serviced by another person or financial institution. Refer to Topics of Special Interest – Section 800 of this manual for further guidance and illustrative entries.

Other Loan Servicing Expenses

This classification includes all other loan servicing costs that are chargeable to the current period but which are not specifically accounted for in the previous accounts. Refer to Topics of Special Interest – Section 800 of this manual for further guidance and illustrative entries.

Professional And Outside Services

Legal Fees

This classification includes the cost of legal services applicable to the general operations of the credit union. Attorney fees and court costs which are related to the credit union's efforts to collect loans may be charged to this account if not recov-

ered from the individual borrowers, or these cost may be treated as losses on loans and charged to "Allowance for Loan Losses".

Audit Fees

This account should be charged with the costs incurred relating to an audit or audits of the credit union's records, usually the supervisory committee audit and/or the verification of the members' accounts, which are performed by an outside accounting firm or other professionals.

Accounting Services

This classification includes expenses incurred for the performance of accounting services for the credit union by an outside person or firm. Expenses incurred in connection with a jointly owned accounting service center should also be included in this account. Charges assessed by a service center for performing data processing services for the credit union represent another example of an expense to be classified in this account.

Management Consulting Fees

This classification includes costs incurred by the credit union for the services of management consultants.

Other Professional And Outside Services

This account should include other professional and outside service costs that are allocated to the current accounting period but which are not accounted for in the previous accounts.

Member's Insurance

Share Insurance

This classification includes the cost of the annual National Credit Union Share Insurance Fund premium paid by the credit union in connection with the insurance of share accounts under Title II of the Federal Credit Union Act.

Note: The annual share insurance fund capitalization deposit should be reflected in the asset account

"Investment in NCUA Share Insurance Capitalization."

Life Savings Insurance

This classification includes the cost of premiums paid by the credit union for life savings insurance on the members. (Dividends on life savings insurance are discussed under the next expense classification, "Borrowers' Insurance.")

Borrowers' Insurance

This classification includes the cost of premiums paid by the credit union for life insurance protection on the borrowing members. Dividends on life savings insurance and borrowers' protection insurance (credit union insurance) will be subject to special handling. Since such dividends are, in effect, a return of a portion of the premiums paid, they may be credited to the appropriate expense classification. The offsetting debit should be to "Other Assets" if the dividend is in the form of a credit memo, or to "Cash" if the dividend is received by check. The dividend amount charged should be cleared when the credit memo is used in lieu of cash for the payment of future premiums.

If a dividend or refund of premium applies to both borrowers' protection and life savings insurance without a breakdown being furnished by the insurance company, the amount may be according to prorated portions of the combined year-to-date costs. If, however, a credit union desires to do so, the dividends may be recorded as "Other Miscellaneous Operating Income" rather than a credit to the expense account(s).

Other Members' Insurance

This account includes the cost of all other member insurance that is paid by the credit union and chargeable to the current accounting period.

Federal Operating Fee Expense

This account includes the annual operating fee assessed by NCUA in accordance with Section 105 of the Federal Credit Union Act. The computation of the operating fee will be provided to federally

chartered credit unions on NCUA Form 1305, Share Insurance/Operating Fee Invoice. The fee is billed in March and payable on or before April 15 of each insurance year. Credit unions using the accrual basis of accounting may defer the annual fee as a prepaid expense if the fee is \$500 or more.

Illustrative Entries

- a) To record the annual payment of the fee to NCUA.

Dr.- Federal Operating Fee Expense	\$600.00
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OR

Dr.- Other Prepaid Ex- penses and De- ferred Charges	\$600.00
Cr.- Cash	\$600.00

- b) To record the periodic expensing of the prepaid operating fee.

Dr.- Federal Operating Fee Expense	\$50.00
Cr.- Other Prepaid Expenses and Deferred Charges	\$50.00

Detailed Transactions

Debit:

- a) With the payment of the operating fee (cash or modified cash basis of accounting).
- b) With amortization of monthly expense (accrual basis of accounting).

Cash Over And Short

This classification includes the amount of cash which is either over or short in connection with each day's collections. At the end of each day's business, the Cash Received Vouchers, or its equivalent, are totaled and the result checked with

the cash on hand. If the cash on hand is greater than the total of the vouchers and the error is not located before the transactions for the day are recorded, an additional Cash Received Voucher or its equivalent is prepared for the amount of the overage. The words "Cash Over" are shown on the voucher in the "Received From" space. This voucher is included with other Cash Received Vouchers when preparing the summary voucher of the day's cash receipts and entered as "Cash Over" on the first blank line of the summary voucher.

If the total of the voucher is greater than the cash on hand and the error is not located before the transactions for the day are recorded, a Cash Received Voucher is prepared for the amount of the shortage. The words "Cash Short" are shown on the voucher in the "Received From" space. The amount of the shortage should also be written in red or parentheses opposite the "Total" line. This voucher should be included with the Cash Received Voucher when preparing the summary voucher for the day's receipts. The words "Cash Short" should be entered on the first blank line of the summary voucher. The amount of the cash short should be entered in red or in parentheses on the summary voucher of the day's receipts in the amount column opposite "Cash Short". This amount should be a deduction from the other items. The net cash shown on the summary voucher should then agree with the cash on hand.

The amount of the cash short or over for each day should be recorded in the "Expense" column of the Journal and Cash Record. If the amounts represent overages, they should be entered in red or parentheses and should be deducted from the total of the other items.

When an error which has been recorded as a cash overage or a cash shortage is located, a Journal Voucher or its equivalent should be prepared to reverse the original debit or credit entry to this account. The correcting entry should be entered in the Journal and Cash Record from this Journal Voucher. For instance, if it is later discovered that a cash overage resulted from failure to prepare a Cash Received Voucher in connection with a payment received on shares, the Cash Over and Short

account should be debited and the Shares account should be credited. Proper credit should also be recorded in the individual share account.

If numerous debit and credit entries are recorded as "Cash Over and Short" expense during the month, separate totals can be taken of the items in red or parentheses and those in black. The total of the red items can then be subtracted from the total of the black items to obtain the net overage or shortage. If there is a net overage at the end of the month, it should be shown in red or in parentheses opposite the appropriate caption in the "Operating Expenses" Section of the Statement of Income and should be deducted from other expense items.

At each regular monthly meeting of the board of directors, the cash overages and shortages must be reported to the directors' for consideration and ratification. Some credit unions may find it informative to record cash over and short by teller. In this event, separate expense accounts may be established; e.g., Teller A, Teller B, Teller C. Any abnormal overages and shortages will thus be promptly brought to the directors' attention so that proper action can be taken in controlling operations and in complying with the terms of the credit union's surety bond.

Association Dues

This classification includes the membership dues and other fees paid to a credit union organization of which the credit union is a member.

Annual Meeting Expenses

This classification includes all costs incurred in connection with the annual meeting of shareholders; e.g., costs of rental of meeting room, printing of notices to shareholders, costs of carrying out and administering a mail ballot election program, etc.

Truth In Lending Expense (TIL)

TIL Reimbursement Of Interest Overcharges

This classification includes reimbursement expenses for overcharges under Regulation Z-Truth in Lending enforcement for accounting periods subsequent to the first examination period in which reimbursement is required.

TIL Restitution

This classification includes restitution costs for expenses incurred for other than interest overcharges under Regulation Z-Truth in Lending enforcement. These costs should be the result of activities within the current accounting period.

Charitable Contributions

This classification includes charitable contributions and donations authorized by the board of directors. Section 701.25 of NCUA's Rules and Regulations permits FCUs to make charitable contributions to: (1) recipients not organized for profit that are located in or conduct activities in a community in which the FCU has a place of business, or (2) organizations that are tax exempt under Section 501 (c)(3) of the Internal Revenue Code and operate primarily to promote and develop credit unions.

Miscellaneous Operating Expenses

This classification includes miscellaneous expenses for which no separate expense classification is provided. The nature of the expense should be noted as an "Account" in the Journal and Cash Record. If a particular type of expense shown in this miscellaneous grouping represents a comparatively large amount of the total for this group, it may be shown as a separate item. If, for example, any expenses are large in relation to the other items in Miscellaneous Operating Expense, these expenses may be charged to a special expense account established by the credit union under the appropriate main grouping of expense classifications. These expenses would then be merged with and reported in the total for the designated expense grouping in the Statement of Income for the period.

