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 CHAPTER 6. HUD CHART OF ACCOUNTS

## 6-1. INTRODUCTION

This chapter lists and defines the prescribed uniform system of accounts used by owners of all HUD-insured and HUD-held, cooperative projects. To assure that project accounting transactions are properly recorded and classified, project bookkeepers must familiarize themselves with the account definitions contained in this chapter. Cooperative projects must use the same accounts as rental projects, as well as the special asset and member equity accounts defined specifically for Cooperative projects.

## 6-2. ORGANIZATION OF THE CHART OF ACCOUNTS

The HUD Chart of Accounts uses account categories prescribed by generally accepted accounting principles.

- A. The HUD Chart of Accounts is organized to provide complete and comprehensive project records. Since the project's annual financial statements are prepared on an accrual basis, HUD encourages owners/managing agents to keep project books and records on an accrual basis. Owners/managing agents are responsible for making any necessary year-end adjusting entries before the annual project audit using the accounts prescribed in the HUD Chart of Accounts.
- B. Additional accounts not included in the HUD Chart of Accounts should be established as needed, following generally accepted accounting principles and classified under the appropriate groupings in the HUD Chart of Accounts.
- C. An explanation of the Chart of Accounts appears in paragraph 6-4.

## 6-3. CHART OF ACCOUNTS

- A. 1000 ASSET ACCOUNTS.
  - 1100 CURRENT ASSETS:
    - 1110 Petty Cash
    - 1120 Cash in Bank
    - 1130 Tenant/Member Accounts Receivable

(Coops)

1140 Accounts Receivable (Other)  
1150 Notes Receivable  
1160 Accrued Receivables  
1170 Investments (Short Term)  
1190 Miscellaneous Current Assets  
1191 Commercial Security Deposits - Held in  
Trust

1200 PREPAID EXPENSES:  
1210 Fuel Inventory  
1220 Gasoline and Oil Inventory  
1230 Supplies Inventory  
1240 Prepaid Property & Liability  
Insurance  
1250 Prepaid Mortgage Insurance  
1260 Prepaid Advertising  
1270 Prepaid Taxes

1290 MISCELLANEOUS PREPAID EXPENSES

1300 FUNDED RESERVES:  
1310 Mortgagee Escrow Deposits  
1320 Cash Replacement Reserve  
1321 Securities, Replacement Reserve  
1330 Cash Painting Reserve  
1331 Securities Painting Reserve  
1340 Cash Residual Receipts Reserve  
1341 Securities Residual Receipts Reserve  
1350 Cash General Reserves  
1360 Securities General Reserves  
1365 General Operating Reserve (Coops)  
1370 Apartment Rehabilitation Deposits,  
(Coops)

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1380 Project Improvement Account

1400 FIXED ASSETS:  
1410 Land  
1420 Buildings  
1430 Building Equipment (Fixed)  
1440 Building Equipment (Portable)  
1450 Furniture for Project/Member Use  
1460 Furnishings  
1470 Maintenance Equipment  
1480 Motor Vehicles  
1490 Miscellaneous Fixed Assets

1500 INVESTMENTS

1600 DEPOSITS RECEIVABLE

1700 SUSPENSE ACCOUNTS

1800 ORGANIZATION EXPENSES

1900 OTHER ASSETS

B. 2000 LIABILITY ACCOUNTS

2100 CURRENT LIABILITIES:

2110 Accounts Payable

2112 Accounts Payable - Project Improvement  
Items

2115 Accounts Payable - HUD

2120 Accrued Wages and Payroll Taxes Payable

2130 Accrued Interest Payable

2140 Dividends or Distributions Payable

2150 Accrued Property Taxes

2160 Notes Payable (Short Term)

2190 Miscellaneous Current Liabilities

2191 Commercial Security Deposits Held in  
Trust (Contra)

2200 PREPAID REVENUES:

2210 Prepaid Carrying Charges

2220 Prepaid Interest Revenue

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2230 Apartment Rehabilitation Deposits  
(Coops)

2290 Miscellaneous Prepaid Revenues

2300 LONG TERM LIABILITIES:

2310 Notes Payable (Long-Term)

2311 Notes Payable - Surplus Cash

2320 Mortgage Payable

2330 Bonds Payable

2340 Flexible Subsidy Loan Payable

2350 Capital Improvement Loan Payable

2360 Operating Loss Loan Payable

2390 Miscellaneous Long Term Liabilities

C. 3000 MEMBERS EQUITY (NET WORTH)

3100 OWNER EQUITY

3105 Certificates Subscribed (Coops)

3110 Capital Stock - Preferred

3120 Capital Stock - Common

3130 Owner Equity or Certificates Held in  
Treasury  
3140 Certificates of Initial Capital Value Issued  
and Outstanding (Coops)

3200 EARNINGS  
3210 Retained Earnings or Surplus or  
Deficiency from Operations (Coops)  
3215 Amortized Mortgage (Coops)  
3220 Replacement Reserve (Coops)  
3230 Painting Reserve  
3235 General Operating Reserve (Coops)  
3241 Paid-in Surplus (Coops)  
3250 Profit or Loss (Net Income or Loss)

D. 4000 VALUATION ACCOUNTS

4100 ACCUMULATED DEPRECIATION  
4120 Reserve for Depreciation - Building  
4130 Reserve for Depreciation - Building  
Equipment - Fixed

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4140 Reserve for Depreciation - Building  
Equipment - Portable  
4150 Reserve for Depreciation - Furniture for  
Project and Member Use  
4160 Reserve for Depreciation - Furnishings  
4170 Reserve for Depreciation - Maintenance  
Equipment  
4180 Reserve for Depreciation - Motor  
Vehicles  
4190 Reserve for Depreciation - Miscellaneous  
Fixed Assets

4200 OTHER RESERVES:  
4210 Reserves for Vacancy & Doubtful  
Member Accounts

E. 5000 REVENUE ACCOUNTS.

5100 RENT REVENUE - GROSS POTENTIAL:  
5120 Rent Revenue - Apartments or Member  
Carrying Charges (Coops)  
5121 Member Assistance Payments  
5130 Rent Revenue - Furniture and Equipment  
5140 Rent Revenue - Stores and Commercial  
5170 Garage and Parking Spaces  
5180 Flexible Subsidy Income  
5190 Rent Revenue Miscellaneous

5200 VACANCIES: (See 6370 Also)  
5220 Apartments  
5230 Furniture and Equipment  
5240 Stores and Commercial  
5270 Garage and Parking Space  
5290 Miscellaneous

5300 ELDERLY AND CONGREGATE SERVICES  
REVENUE  
5311 Swimming Pool Maintenance Expense  
5320 Member Group Life Insurance - Expense  
5330 Dietary Salaries  
5330 Food  
5333 Dietary Supplies

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5340 Registered Nurses Payroll  
5341 Licensed Practical Nurses Payroll  
5342 Other Nursing Salaries  
5350 Housekeeping Salaries  
5351 Housekeeping Supplies  
5352 Other Housekeeping  
5360 Drugs and Pharmaceuticals  
5361 Medical Salaries  
5362 Other Medical  
5370 Laundry and Linen  
5380 Recreation and Rehabilitation  
5390 Other Service Expenses

5400 FINANCIAL REVENUE:  
5410 Interest Revenue - Project Operations  
5420 Interest Reduction Payments (Section 236  
only)  
5430 Revenue from Investments - Residual  
Receipts  
5440 Revenue from Investments - Replacement  
Reserve  
5490 Revenue from Investments - Miscellaneous

5900 OTHER REVENUE:  
5910 Laundry and Vending Revenue  
5920 NSF and Late Charges  
5930 Damages and Cleaning Fees  
5940 Forfeited Tenant Security Deposits  
5990 Other Revenue (specify)

F. 6000 PROJECT EXPENSE ACCOUNTS

6200/6300 ADMINISTRATIVE EXPENSES.

6210 Advertising  
6235 Apartment Resale Expense (Coops)  
6250 Other Renting Expenses  
6310 Office Salaries  
6311 Office Supplies  
6312 Office or Model Apartment Rent  
6320 Management Fee  
6330 Manager or Superintendent Salaries

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6331 Manager or Superintendent Rent Free  
Unit  
6340 Legal Expense - Project  
6350 Audit Expense  
6351 Bookkeeping Fees/ Accounting Services  
6360 Telephone and Answering Service  
6370 Bad Debts  
6390 Miscellaneous Administrative Expenses  
(specify)

6400 UTILITIES EXPENSES:

6420 Fuel Oil/Coal  
6450 Electricity  
6451 Water  
6452 Gas  
6453 Sewer

6500 OPERATING & MAINTENANCE EXPENSE:

6510 Janitor and Cleaning Payroll  
6515 Janitor and Cleaning Supplies  
6517 Janitor and Cleaning Contract  
6519 Exterminating Payroll/Contract  
6520 Exterminating Supplies  
6530 Security Payroll/Contract  
6535 Grounds Payroll  
6536 Grounds Supplies  
6537 Grounds Contract  
6540 Repairs Payroll  
6541 Repairs Material  
6542 Repairs Contract  
6545 Elevator Maintenance/Contract  
6546 Heating/Cooling Repairs and  
Maintenance  
6547 Swim Pool Maintenance/Contract  
6548 Snow Removal  
6560 Decorating Payroll/Contract  
6561 Decorating Supplies  
6570 Vehicle and Maintenance Equipment  
Operation and Repairs  
6590 Miscellaneous Operating and Maintenance

Expenses

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6600 DEPRECIATION EXPENSES  
6620 Depreciation - Buildings  
6630 Depreciation - Fixed Building Equipment  
6640 Depreciation - Building Equipment  
    - Portable  
6650 Depreciation - Furniture for Project and  
    Member Use  
6660 Depreciation - Furnishings  
6670 Depreciation - Maintenance Equipment  
6680 Depreciation - Motor Vehicle  
  
6690 Depreciation - Miscellaneous  
  
6700 TAXES & INSURANCE  
6710 Real Estate Taxes  
6711 Payroll Taxes (Project's Share)  
6719 Miscellaneous Taxes, Licenses, and  
    Permits  
6720 Property & Liability Insurance (Hazard)  
6721 Fidelity Bond Insurance  
6722 Workmen's Compensation  
6723 Health Insurance and Other Employee  
    Benefits  
6729 Other Insurance  
  
6800 FINANCIAL EXPENSES:  
6810 Interest on Bonds Payable  
6820 Interest on Mortgage Payable  
6830 Interest on Notes Payable (Long Term)  
6840 Interest on Notes Payable (Short Term)  
6850 Mortgage Insurance Premium/Serv Chg  
6890 Miscellaneous Financial Expenses  
  
6900 ELDERLY AND CONGREGATE SERVICES  
EXPENSES /1  
6911 Swimming Pool Maintenance Expense  
6920 Member Group Life Insurance - Expense  
6930 Dietary Salaries  
6932 Food

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/1 Offset to 5300 Accounts for Cost Analysis.

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6933 Dietary Supplies  
6940 Registered Nurses Payroll  
6941 Licensed Practical Nurses Payroll  
6942 Other Nursing Salaries  
6950 Housekeeping Salaries  
6951 Housekeeping Supplies  
6951 Other Housekeeping  
6960 Drugs and Pharmaceuticals  
6961 Medical Salaries  
6962 Other Medical  
6970 Laundry and Linen  
6980 Recreation and Rehabilitation  
6990 Other Service Expenses

A. 7000 CORPORATE, MORTGAGOR, OR  
COOPERATIVE EXPENSES /2

7100 COMMUNITY FACILITIES:  
7101 Administration  
7102 Physical Properties  
7103 Medical  
7104 Recreation  
7105 Community Relations  
7110 Officer's Salaries  
7120 Legal Expenses  
7130-7132 Taxes  
7190 Other Expense  
7700 Trustee

6-4. EXPLANATION OF ACCOUNTS

1000 ASSET ACCOUNTS:

1100 CURRENT ASSETS:

1110 Petty Cash. This account represents the established size of the imprest fund used to make small cash payments for items such as postage and small amounts of supplies. The

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/2 In cooperation with other cooperative corporations.

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account is debited with the amount of the disbursement establishing or increasing the size of the fund. As cash is used, agents place receipts for the amount withdrawn in the cash drawer. Disbursements made to replenish the petty cash fund are debited directly to the appropriate project expense accounts at the time the reimbursement check is recorded in the Cash Disbursements Journal. At all times, total petty cash on hand plus the receipts for the bills paid must equal the amount of the established fund.

- 1120 Cash in Bank. This account reflects the balance of cash in the project's bank account(s). Debits to the account are posted at least monthly from the Cash Receipts Journal and credits are posted at least monthly from the Cash Disbursements Journal.
- 1130 Member Accounts Receivable. This account reflects the total carrying charges receivable from members. The account balance is supported by the Member Accounts Receivable subsidiary ledger, The account is debited by journal entry at the end of each month for the total rent roll from the following month, The off-setting credit is made to the revenue accounts in the 5000 series. Agents must make an additional credit for Section 236 projects to Account 2115, Accounts Payable - HUD for any charges due from members in excess of the basic monthly carrying charges. Credits to the Member Accounts Receivable accounts come from the Cash Receipts Journal or from journal entries which record concessions to members in lieu of carrying charges (see Account 6250).
- 1140 Accounts Receivable - Other. This account represents amounts due the project other than carrying charges or commercial rent receivable and accrued income. It is a controlling account

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supported by a subsidiary ledger. When there are other accounts receivable, agents should record each type separately in accounts numbered 1141 to 1149. For example, Accounts Receivable - Rent Supplement may be numbered Account 1143; Accounts

Receivable, Section 8 Assistance Payment, Account 1144; Fire Loss Draft Receivable, Account 1145, etc.

- 1150 Notes Receivable. This account records all notes receivable as they are acquired through debits to the General Journal. Credits to the account come from the Cash Receipts Journal when payment is received. When there are several types of notes receivable, agent should record each type separately in accounts numbered from 1151 to 1159.
- 1160 Accrued Receivables. This account reflects any accrued income, other than from carrying charges. The account is established by year end journal entry debiting the account for income earned but not received. The offsetting credit is to the appropriate revenue account. After the books are closed, the adjusting entry is reversed. Agents may subdivide the account into accounts 1161, 1162, etc., as necessary.
- 1170 Investments (Short Term). This account records the amount of project funds invested in short term investments other than those in the Funded Reserves (1300) accounts. When the project has more than one type of short-term investment, agents should record each type separately in accounts numbered 1171 to 1179. The account is credited when the project disposes of any of the investments.
- 1190 Miscellaneous Current Assets. This account records current assets not otherwise described above. If necessary, agents may subdivide this

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account into specific current asset accounts numbered from 1192 to 1199.

- 1191 Commercial Security Deposits - Held in Trust. This account records tenant security deposits held by the project, in the name of the project and in a separate bank account. Agents may use deposits to pay for commercial tenant damages and delinquent rents when a commercial tenant vacates. Total funds in the account must at all times equal or exceed the corresponding liability account, 2191

- Commercial Security Deposits - Held in Trust.

1200 PREPAID EXPENSES:

- 1210 through 1230, Inventory Accounts. Agents record inventory accounts only when the amount on hand at year-end is significant when compared to the total expense for the fiscal year. For example, if shored heating fuel at the end of the fiscal year represents 20% of the total fuel expense for the year, agents should debit by a journal entry the value of the fuel on hand to Fuel Inventory (Account 1210) with an offsetting credit to Fuel Expense (Account 6420). Agents reverse the adjusting entry at the beginning of the next accounting period.
- 1240 Prepaid Property and Liability Insurance. This account records the unexpired portion of prepaid insurance policies. The account is debited from the Cash Disbursement Journal when an insurance policy is purchased or when monthly payments are made on the policy with the mortgage payment. At the close of the accounting period, agents make an adjusting journal entry crediting the cost of the expired insurance and debiting Account 6720, Property and Liability Insurance expense.

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- 1250 Prepaid Mortgage Insurance. This account reflects the balance of the mortgage insurance premium (MIP) paid to HUD that is applicable to the following fiscal period. At the close of the accounting period, the account is debited for any prepaid mortgage insurance with an offsetting credit to Account 6850, Mortgage Insurance Premium. The entry is reversed at the beginning of the next accounting period.
- 1260 Prepaid Advertising. This account reflects the cost of any unused advertising. Similar to the inventory accounts, the unused cost is recorded only when the amount at year-end is significant. The account is established by an adjusting journal entry debiting any unused advertising and crediting Account 6210, Advertising Expense. The entry is reversed at the beginning of the following accounting period.

- 1270 Prepaid Taxes. This account reflects tax payments that apply to future fiscal periods. The account is established by an adjusting journal entry debiting the taxes paid for future periods and crediting Account 6710, Real Estate Taxes. The entry is reversed at the beginning of the following accounting period.
- 1290 Miscellaneous Prepaid Expenses. This account records expenses, other than insurance and taxes, that are paid in advance. The cost of the asset is distributed through journal entry over the usage period.

1300 FUNDED RESERVES:

- 1310 Mortgage Escrow Deposits. When used, this clearing account transfers monthly payments of taxes, insurance and replacement reserve escrows to the appropriate expense, prepaid expense or funded reserve account.

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- 1320 Cash Replacement Reserve. This records the monthly payments to the mortgagee as required by Paragraph 2 of the cooperative Regulatory Agreement. See also Account 3220, Replacement (contra) and Account 3241, paid-in Surplus for recording amounts paid by members in excess of the initial capital value of their membership.
- 1321 Securities - Replacement Reserve. This account records replacement reserve funds that are held, invested or transferred to the mortgagee, Section 202 projects deposit replacement reserve funds in a special bank account. Credits to the account come from the Cash Receipts Journal supported by HUD-approved releases from the Replacement Reserve account. Interest earned on the account is credited to Account 5440, Income from Investments - Replacement Reserve,
- 1330 Cash - Painting Reserve. This account records all deposits made by the project to the painting reserve. This account is used to pay costs related to painting the project's exterior and common space. Costs related to painting individual member units are charged to

Accounts 6560 and 6561, Decorating Payroll and Supplies.

- 1331 Securities - Painting Reserve. The balance of the account reflects the total funds held or invested in securities for the painting reserve account.
- 1340 Cash - Residual Receipts Reserve. This account records any required deposits to the Residual Receipts Fund held by the mortgagee. Agents Credit the account for disbursements from the fund in amounts authorized by HUD. Interest earned on the account is credited to

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Account 5430, Income from investments - Residual Receipts.

- 1341 Securities - Residual Receipts Reserve. The balance of this account reflects total funds held or invested in securities by the mortgagee using funds from the Residual Receipt Account.
- 1350 Cash - General Reserves. This account records amounts paid in by the mortgagee for general purposes. Credits to the account come from disbursements for debt service or other accounts paid from the fund.
- 1360 Securities - General Reserves. These accounts record funds which are held or invested in securities for general purpose as required by the Certificate of Incorporation.
- 1365 General Operating Reserve (GOR). This account records monthly deposits made to a special escrow account under the control of the cooperative mortgagor entity. The amount of the required monthly deposit varies by both the GOR account balance and the total amount of monthly member carrying charges. See Paragraph 3 of the cooperative regulatory agreement to determine: (1) what percentage of monthly carrying charges the cooperative must deposit to the account; and (2) conditions for withdrawal from the account. The account provides for contingencies that a cooperative would otherwise meet only through a special assessment to its members. For example,

cooperatives may make disbursements from the account to repurchase stock of withdrawing members or to meet short-term operating deficits because of delinquent receivables from cooperative members. The account is reimbursed (debited) when the cooperative resells the unit or when the cooperative collects the delinquent member carrying charges. Also

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see Account 3235, General Operating Reserve (contra) and Account 3241, Paid-in Surplus for recording amounts paid by members in excess of the initial capital value of their membership.

- 1370 Apartment Rehabilitation Deposits. This account records deposits received from tenants who rent units owned by the cooperative. The offsetting credit is to Account 2230.
- 1380 Project Improvement Account. Agents must establish this account for all projects receiving Flexible Subsidy assistance. HUD may also require owners to establish this account as a condition for approving a workout agreement or transfer of physical assets. The restricted asset account is debited when funds are deposited and is credited when funds are transferred from the account. Sources of funds include owner contributions, releases from reserves, Flexible Subsidy payments, retroactive mortgage relief, etc. When Flexible Subsidy assistance is deposited to the Project Improvement Account, the offsetting credit is to Flexible Subsidy Loan Payable (2340), or Capital Improvement Loan Payable (2350), or an Owner's Equity Account (3100).

1400 FIXED ASSETS:

- 1410 Land. The purchase price of the land plus the cost of improvements to the land are charged to this account. Costs of excavating for basements and expenses applicable to the buildings are not included. The balance of the account represents the total outlay necessary to obtain the land and to make the improvements to it. In some instances, it may be desirable to charge depreciation on certain land improvements. These are charged to a separate account

beginning with Account 1411. This also requires setting up additional accounts in both

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depreciation reserves and depreciation expenses. Agents should assign these additional accounts numbers 4110 and 6610, respectively.

1420 Buildings. The total cost of the buildings, exclusive of building equipment, furniture, and furnishings, is charged to this account. Agents should also charge improvements to the buildings to this account. Credits are made when the building is disposed of. The balance represents the original cost of the buildings plus enhancements.

1430 Building Equipment - Fixed. The balance of this account represents the installed cost of all fixed building equipment in use. When necessary, this account may be subdivided for different groups of assets. For example, Account 1432 may be titled "Building Equipment Fixed - Plumbing Fixtures" and include items such as kitchen sinks, garbage disposals, and bath tubs. Account 1433 may be titled "Building Equipment Fixed - Utility Systems" and include project assets such as heating or cooling units and hot water heaters. When this account is subdivided, agents should establish additional depreciation reserve and expense accounts for each sub-group.

1440 Building Equipment - Portable. The balance of this account represents the total cost of the portable equipment in use. Costs include any transportation or installation charges. Assets in this account include items such as stoves, refrigerators and fire extinguishers. The account is credited as equipment is withdrawn from project use.

1450 Furniture - For Project and Member Use. The net cost of all equipment and furniture purchased by the project for use in the project office, lobbies, halls, lawns, and sun decks, plus

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the freight and drayage on the furniture, is charged to this account. The cost of furniture purchased from project funds for rental to members is charged to Account 1451. The account is credited as furniture is withdrawn for project or member use.

1460 Furnishings. The cost of furnishings (window shades, venetian blinds shower curtains, hall carpets, etc.) not charged to the cost of the building is recorded in this account. Credits to the account are made when furnishings are withdrawn from use. The balance of the account represents the cost of the furnishings in use.

1470 Maintenance Equipment. The balance of this account represents the cost of project maintenance equipment in use. The account includes items such as janitor's tools, vacuum cleaners, lawnmowers or snowblowing equipment. The cost of equipment is credited when the asset is withdrawn from use.

1480 Motor Vehicles. The cost of buses, trucks, passenger cars etc., is recorded in this account. Each vehicle is shown separately and given an account number in the 1480 group. Equipment withdrawn from use is credited to this account. The balance represents the cost of each vehicle in use.

1490 Miscellaneous Fixed Assets. Agents may record fixed assets for which no other provision is made in this account. If necessary, agents should subdivide this account into specific fixed asset accounts in the 1490 group.

1500 INVESTMENTS:

This account records long-term investments (those expected to be held for more than one year) other than those included in the Fund Reserves (1300) Series. The account is credited when the project disposes of the investment.

1600 DEPOSITS RECEIVABLE:

This account reflects the amount of security and other deposits which are due from tenants, but not received. The account is credited when deposits are collected.

1700 SUSPENSE ACCOUNTS:

This account reflects charges for items that are temporarily left unadjusted, such as bad checks from members. When the item (check) is cleared, the account is credited.

1800 ORGANIZATION EXPENSES:

This account reflects the cost of organizing or forming the mortgagor entity. These costs may include filing fees, attorney's fees and other recording costs. The account is credited through general journal entries amortizing the original organization costs.

1900 OTHER ASSETS:

This account records non-current assets that are not otherwise classified above. Agents should give a descriptive title to any asset included in the 1900 Series.

2000 LIABILITY ACCOUNTS:

2100 CURRENT LIABILITIES:

2110     Accounts Payable. This account reflects the total of unpaid bills other than bills to be paid from the Project Improvement Account. (See Accounts 1380 and 2112). The account is a controlling account supported by an Accounts

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Payable subsidiary ledger or by the file of unpaid vouchers. The account is credited by journal entry for the total of the bills invoiced for payment. Debits to the account come from the Cash Disbursements Journal. After posting, the total of the accounts payable ledger or unpaid vouchers in the voucher file should equal the balance of this controlling account.

2112     Accounts Payable - Project Improvement Items. This account reflects the total of bills vouchered for work items under the Flexible Subsidy

Program to be paid from funds transferred from the Project Improvement Account (1380) to the project bank account (1120). Credits to the account come from work items included on Lines 1a through d of Part II, Section C of the Management Improvement and Operating (MIO) Plan, Form HUD-9835B.

2115 Accounts Payable - HUD. Used only for Section 236 projects, this account reflects any amount due HUD for revenue collected in excess of the allowable basic carrying charges. The account is credited monthly from the Rent Roll and is deposited monthly from the Cash Disbursements Journal when a check for the amount of excess income is sent to HUD. The amount due HUD for the reporting month is shown on Line 6 of the Form HUD-93104, Monthly Report of Excess Income. When no payment is due HUD for the reporting month (i.e., when Line 7 of the HUD-93104 is a positive amount), the balance in the account is debited with an offsetting credit to Account 5190, Rental Income Miscellaneous.

2120 Accrued Wages and Payroll Taxes Payable. This account records by Journal entry the gross amount of payroll and payroll taxes that has been accrued, but not paid, at the end of the accounting period. If necessary, agents may

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subdivide the account to accrue for the different types of accrued taxes payable (e.g., Account 2121, Federal Withholding Taxes Payable; Account 2122, FICA Taxes Payable; etc.). This entry is reversed at the beginning of the next following accounting period.

2130 Accrued Interest Payable. This account records by adjusting journal entry, interest accrued but unpaid on the mortgage and other interest-bearing obligations at the end of the accounting period. For Section 236 projects, agents should include only the mortgagor's portion of the interest liability on the mortgage. At the beginning of the following accounting period the entry is reversed.

2140 Dividends or Distributions Payable. This

account is used by profit-motivated and limited dividend mortgagor entities. The account records, through journal entry, dividends or distributions declared by the owner but not yet paid. The offsetting debit is to Account 3210, Retained Earnings. The amount of the dividend or distribution should agree with Line 4, Amount Available for Distribution During the Next Fiscal Period, of the Form HUD-93486, Computation of Surplus Cash, Distributions and Residual Receipts. The account is debited when the dividend or distribution is paid.

2150 Accrued Property Taxes. This account records by journal entry the accrual of property taxes incurred and payable in the subsequent year. If necessary, the account may be subdivided to include different types of property taxes accrued (e.g., local real estate, county real estate, personal property taxes, etc.). The entry is reversed at the beginning of the next accounting period.

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2160 Notes Payable (Short-Term). This account records liabilities on notes due within one year. The account is credited when a cash loan is secured by a short-term note. When an note is secured to cancel another project payable, the account is credited through journal entry. The account is debited from the Cash Disbursements Journal when payment is made on the note.

2190 Miscellaneous Current Liabilities. This account records current liabilities not otherwise described above. If necessary, agents may subdivide this account into specific current liability accounts numbered from 2192 to 2199.

2191 Commercial Security Deposits - Held in Trust (Contra). This account records the offsetting liability resulting from transactions recorded in Account 1191.

2200 PREPAID INCOMES:

2210 Prepaid Rents. This account records carrying charges received from members (including

commercial tenants' rents) that apply to future accounting periods. When the revenue is received in advance, this account is credited and Cash (1120) is debited. As the rent or carrying charges become due, agents make a journal entry debiting this account and crediting Members Accounts Receivable (1130).

2220 Prepaid Interest Income. This account records by journal entry all interest income received but not earned at the close of the accounting period. A corresponding debit is made to the Interest Income (5400 Series) account. The entry is reversed at the beginning of the next accounting period.

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2230 Apartment Rehabilitation Deposits. Cooperatives establish this account contra to Account 1370. The balance reflects the cooperative's obligation to refund the deposit if rehabilitation of the rented unit is unnecessary.

2290 Miscellaneous Prepaid Incomes. This account records any prepaid income other than carrying charges, rental, or interest. Agent should establish specific accounts in the 2290 Series to record any miscellaneous prepaid incomes.

2300 LONG-TERM LIABILITIES:

2310 Notes Payable (Long-Term). This account reflects amounts on notes due more than one year from the date of the balance sheet. The amount due within one year is recorded in Account 2160. The account is credited when long-term notes are issued and is debited as principal payments are made on the notes. Interest paid on the note is charged to Account 6830, Interest on Notes Payable (Long-Term).

2311 Notes Payable - Surplus Cash. This account records project obligations (1) payable only from available surplus cash, and (2) in accordance with the terms.

2330 Bonds Payable. When the project is permanently financed through bond issue, the par value of the bonds is charged to this account. The account is debited as payments

are made on the bonds or if the bonds are canceled. Interest paid on the bonds is charged to Account 6810, Interest on Bonds Payable.

2340 Flexible Subsidy Loan Payable. This account reflects the total amount of the unpaid balance of flexible subsidy loans. Credits to the account are made when the proceeds of a loan is received and an agreement has been executed. The balance in the account is decreased

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(debited) for the amount of the principal paid each time a payment is made.

2350 Capital Improvement Loan Payable. This account balance represents the unpaid balance of a capital improvement loan. Funds from this account are used to repair or replace major systems in low and moderate income multi-family buildings. The balance is reduced by the amount of principal paid with each loan payment made.

2360 Operating Loss Loan Payable. This account represents the unpaid balance of a loan obtained to sustain operations due to a prior year operating loss. The use of the proceeds from this type of loan is restricted to expenditures for operating expenses. The account balance is decreased by the amount of the principal paid with each loan payment.

2390 Miscellaneous Long-Term Liabilities. This account records long-term liabilities not otherwise described above. If necessary, agents should subdivide the account into specific long-term liability accounts numbered from 2391 through 2399.

3000 EQUITY ACCOUNTS:

3100 OWNER EQUITY:

3105 Certificates Subscribed. This account reflects the par or assigned value of subscribed membership certificates or capital stock. Charges (debits) are made to the account when the cooperative issues membership certificates or stock to new members. The offsetting credit is to Account 3140, Certificate of Initial Capital Value Issued and Outstanding.

3110 Capital Stock - Preferred/. The ownership shares of a Cooperative Corporation as authorized by its Articles of Incorporation. It

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represents the member's equity interest in the Cooperative and may be divided into several classes of shares having various rights and preferences.

3120 Capital Stock - Common/. The class of capital stock which has all the residual interests in the corporation with no limitations nor preferences in distribution of retained earnings or ultimate distribution of assets. In Cooperatives with only one class of shares, it is the same as the Capital Stock (Account 3110).

3130 Owner Equity or Certificate Held in Treasury. These control accounts reflect the total amount of capital invested in the project by its owners. Subsidiary accounts are normally maintained for each class of stock or owner. The accounts are credited as additional capital is contributed to the project by the owner(s). Cooperatives debit this account when the outgoing member's unit is resold.

3140 Certificate of Initial Value Issued and Outstanding. This account reflects the initial value of all subscribed and outstanding membership certificates or stock. The account is credited when the cooperative issues subscribed certificates or stock to new members. The account is debited when certificates are turned to the Treasury (Account 3130) ending resale of the units.

3200 EARNINGS:

3210 Retained Earnings or Surplus or Deficiency from Operations (Coops). This control account reflects the accumulated earnings of a mortgagor entity that are not distributed to owners. The account is debited when dividends or distributions are declared and for any net

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loss from operation of the project. The account is credited with any net income from operations of the project.

In the case of (cooperatives, this account records by Journal entry the surplus (debit) or deficiency (credit) from the cooperative's operation during the reporting year. The appropriate offsetting debit or credit comes from Account 3250, Profit or Loss. The balance of this account represents the cooperative's surplus or deficiency from operations since the initial occupancy of the cooperative. This account also records by journal entry any patronage refunds the cooperative makes to members.

3215 - 3235 RESERVE ACCOUNTS:

These accounts record appropriations of retained earnings for general or specific purposes. These accounts record through journal entry the monthly payments made to principal and the funded reserve accounts. The offsetting debit is to Account 3241, Paid-in Surplus.

- 3215 Amortized Mortgage. This account records amounts paid for mortgage amortization. Credit entries are made to this account with offsetting debit entries to Paid-in Surplus Account 3241.
- 3220 Replacement Reserve. This account is used to accrue funds for planned replacement of major capital items such as heating units, roofs, etc. Credit entries are made to this account with offsetting debit entries to the Paid-in Surplus Account 3241.
- 3230 Painting Reserve. This account is used to accrue funds for planned painting services. Credit entries are made to this account with offsetting debit entries to the Paid-in Surplus Account 3241.
- 3235 General Operating Reserve. This account is used to maintain a fund for general operating expenses. Credit

entries are made to this account with offsetting debit entries to the Paid-in Surplus Account 3241.

3241 Paid-in Surplus. This account records amounts paid by member in excess of the initial value of their membership certificate or stock. Entries to this account separate paid-in surplus from member carrying charges (Account 5120). The account is credited by the total amount of monthly principal and reserve payments. The offsetting debit is to Account 5120, Member Carrying Charges, thereby reducing the cooperative's operating income by the amount of member capital contributions.

3250 Income or Loss. All project revenue (5000 Series) and expenses (6000 and 7000 Series) are transferred to this account when the project's books are closed After audit, this account is closed to Retained Earnings (3210) or Owner's Equity (3130).

4000 VALUATION ACCOUNTS:

4100 ACCUMULATED DEPRECIATION - (4120 - 4190):

These accounts reflect the accumulated depreciation on the fixed assets currently in use by the project. The accounts are credited at the end of the accounting period by the amount of depreciation charged against operations (6600 Series) and based on the estimated useful life of the asset being depreciated. When the asset is withdrawn from project use, the account is debited through journal entry.

4200 ALLOWANCE FOR VACANCY AND DOUBTFUL MEMBER ACCOUNTS

This account records the amount of member accounts receivable that agents estimate are uncollectible. This Allowance is increased (and an expense recorded) when full collection becomes

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doubtful. A journal entry is made crediting this account and debiting Bad Debt Expense (Account 6370) for the estimated amount of uncollectible Member Accounts Receivable. The Allowance is decreased when the receivables are formally written off. When all collection efforts have failed, the amount of the debt is "written off" by journal entry debiting this account and crediting Account

1130, Member Accounts Receivable.

5000 REVENUE ACCOUNTS:

Unless otherwise noted, the balance of all revenue accounts are closed to Account 3250, Profit and Loss at the end of the accounting period.

5100 RENT REVENUE - GROSS POTENTIAL:

- 5120 Rent Revenue - Apartments or Member Carrying Charges (Coops). Except for Section 236 and 221(d)(3) BMIR projects, this account records gross potential carrying charges less member assistance payments for all residential units (including non-revenue producing units). For section 236 and 221(d)(3) BMIR projects, the account records basic carrying charges due for members as shown on the latest Form HUD-92458, Rental Schedule, less member assistance payments. See Account 5190 for treatment of carrying charges due or collected from members paying amounts greater than the BMIR charge. Offsetting debits to this account are Account 1130, Member Accounts Receivable, Account 5220, Vacancies - Apartments, and Account 6331, Manager or Superintendent Rent Free Unit.
- 5121 Member Assistance Payments. This account records member assistance payments received or earned by the project. Member assistance payment programs include the Rent

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Supplement, Rental Assistance Payment (RAP), and Section 8 programs, including vacancy and debt service special claims.

- 5130 Rent Revenue - Furniture and Equipment. This account records the gross rent income expectancy from furniture and equipment when the project provides furnished apartments.
- 5140 Rent Revenue - Stores and Commercial. This account records gross rental income expectancy from stores, offices, rented basement space or other commercial facilities.
- 5170 Garage and Parking Spaces. This account

records the gross potential rental income from all garage and parking spaces.

5180 Flexible Subsidy Revenue. This account reflects the amount of Project Improvement Funds transferred from the Project Improvement Account (1380) to reduce mortgage or escrow deficiencies, to cover operating deficits or to meet working capital needs. These amounts are reported on form HUD-9823 A Requisition for Advance of Flexible-Subsidy Funds. The offsetting debit is to the relevant asset or expense account. At the close of the accounting period, agents must adjust the account by journal entry for any project expenses or releases awarded to pay accounts payable from prior fiscal periods.

5190 Rent Revenue - Miscellaneous. This account records gross revenue expectancy not otherwise described above. For Section 221(d)(3) BMIR projects, this account records carrying charge collections due from over-income limit members in excess of the BMIR carrying charge. Also see definition of Account 2115, Accounts Payable - HUD.

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5200 Vacancies. These accounts (5220-5290) record carrying charge revenue lost through vacancy of an apartment unit or otherwise revenue-producing space or equipment. Agents normally debit the accounts monthly. At the end of the accounting period, the balance of these accounts are closed to Account 3250 Net Income or Loss.

5300 Elderly and Congregate Services Revenue. These accounts (5300-5390) are used primarily by projects designed for the elderly. The accounts record revenues received other than carrying charges for services provided to members (e.g., meal services or housekeeping services). Service-related expenses are charged to the 6900 services accounts. A schedule shall be attached to the Statement of Income summarizing these accounts.

5400 FINANCIAL REVENUE:

5410 Interest Revenue - Project Operations. This account is used to record interest earned on funds in project

operating accounts. This account will be credited for the interest amount and the appropriate interest generating asset account will be debited.

- 5420 Interest Reduction Payments. This account is used to record interest reduction payments made to the project owner under Section 236 of the National Housing Act. This revenue account will be credited for the amount of the payment and the appropriate interest expense account will be debited.
- 5430 Revenue from Investments - Residual Receipts. This account records interest earned from residual receipts investments. The account will be credited for the interest amount and the appropriate interest generating asset account will be debited.
- 5490 Revenue from Investments - Miscellaneous. This account records interest earned from other miscellaneous investments. The account will be credited

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for the interest amount and the appropriate interest generating asset account will be debited.

6000 PROJECT EXPENSE ACCOUNTS:

6200 AND 6300 ADMINISTRATIVE EXPENSES:

- 6210 Advertising. This account records the cost of advertising the property. The cost of any unused advertising, if significant, is transferred by journal entry to Account 1260, Prepaid Advertising, at the end of the accounting period.
- 6235 Apartment Resale Expense. This account records repair costs required following the sale of a cooperative unit less any portion of the seller's equity that was applied against repair costs.
- 6250 Other Sales Expenses. This account records miscellaneous expenses related to the sale of vacant units. For example, charges to this account may include reasonable payments to third parties for referring new members to the project or the cost of new locks after a member moves out. Agents may also charge this account for any allowance given members in

lieu of carrying charges (e.g., providing a new member a week's "free" carrying charge in exchange for cleaning and painting the unit).

6310 Office Salaries. This account records salaries paid to office employees (other than the resident manager) responsible for the front-line operation of the project regardless of whether the employee works on site or in the agent's office. Front-line responsibilities include for example, taking applications, verifying income and processing maintenance requests. The account does not include salaries paid to occupancy, maintenance and regional supervisors who carry out the agent's responsibility for overseeing for supervising project

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operations and personnel. These salaries are paid from the management fee. This account also does not include the project's share of payroll taxes (Account 6711) or other employee benefits (Account 6723) paid by the project.

6311 Office Supplies. This account records office expense items such as supplies, postage, stationery and copying.

6312 Office or Model Apartment Rent. This account records the value of an apartment, otherwise considered potentially revenue-producing, but used as the project office or as a model apartment. The account is normally debited by journal entry.

6320 Management Fee. This account records the cost of management agent service contracted for by the project. This account does not include charges for bookkeeping or accounting services paid directly by the project to either the management agent or another third party (see account 6351).

6330 Manager or Superintendent Salaries. This account records salaries paid to a resident manager or superintendent. It does not include the project's share of payroll taxes or other employee benefits or compensation given a resident manager or superintendent in lieu of salary payments.

6331 Manager's or Superintendent's Rent Free Unit.

This account records the contract carrying charge of any rent free unit provided a resident manager or superintendent which would otherwise be considered revenue producing.

6340 Legal Expense. This account records legal fees or services incurred on behalf of the project (as distinguished from the mortgagor entity). For

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example, agents charge legal fees for eviction procedures to this account.

6350 Audit Expense - Project. This account records the auditing expenses incurred by the project that are directly related to HUD requirements for reviewed financial statements and reports. This account also includes the auditor's charge for preparing the mortgagor entity's Federal, State and Local tax returns. This account does not include the cost of routine maintenance or review of the project's books and records (see account 6351).

6351 Bookkeeping Fees/Accounting Services. This account records the cost of bookkeeping fees or automated accounting services not included in the management fee but paid to either the agent or a third party.

6360 Telephone and Answering Service Expenses. This account records the cost of telephone or answering services provided on behalf of the project.

6370 Bad Debts Expense. This account records by journal entry the amount of member accounts receivable the agent estimates uncollectible at the end of the accounting period. The offsetting credit is to Account 4220, Allowance for Vacancy and Doubtful Member Accounts.

6390 Miscellaneous Administrative Expenses. This account records administrative expenses not otherwise classified in the 6300 Series. If necessary, agents should subdivide the account into specific accounts numbered 6391 through 6399.

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## 6420-6453 UTILITIES EXPENSE:

These accounts record the costs of utility charges billed the project. If the amount of fuel oil at year end is significant compared to the total fuel oil expense for the year, agents should credit the account by journal entry for the value of the fuel oil and debit Account 1210, Fuel Inventory.

## 6500 OPERATING AND MAINTENANCE EXPENSES:

- 6510 Janitor and Cleaning Payroll. This account records the salaries of janitors employed by the project. Agents should also include any compensation given in lieu of salary (such as a rent-free or reduced-rate rental unit) in Account 6510. This account should not include the project's share or payroll taxes (FICA and Unemployment) or other employee benefits paid to the project.
- 6515 Janitor and Cleaning Supplies. This account records all costs of janitor supplies charged to the project.
- 6517 Janitor and Cleaning Contract. This account records the cost of janitor or cleaning contracts the owner or agent executes with third parties on behalf of the project.
- 6519 Exterminating Payroll/Contract. This account records the charges to a project for labor or costs associated with an exterminating contract executed with a third party by the owner or agent.
- 6520 Exterminating Supplies. This account records the costs charged to the project for materials used in exterminating.

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- 6525 Garbage and Trash Removal. This account records the cost of removing garbage and

rubbish from the project. The account does not include salaries paid to janitors who collect the trash.

- 6530 Security Payroll/Contract. This account records the project's payroll cost attributable to the protection of the project or the costs of a protection contract that the owner or agent executes on behalf of the project.
- 6535 Grounds Payroll. This account records the salaries of project employees whose primary responsibility is caring for project grounds. Project payroll costs related to permanent improvement to project grounds is capitalized and not charged to this account. This account does not include the project's share of payroll taxes or other employee benefits paid by the project.
- 6536 Grounds Supplies. This account records the cost of equipment and supplies used in maintaining projects grounds. Charges to this account include the costs of shovels, rakes, seed, sod and shrubbery.
- 6537 Grounds Contract. This account records charges to the project for grounds service contracts executed by the owner or agent.
- 6540 Repairs Payroll. This account records the salaries of project employees who repair project owned equipment or other assets. This account does not include the project's share of payroll taxes or other employee benefits paid by the project.
- 6541 Repairs Material. This account records the costs charged to the project for material used in repairs.

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- 6542 Repairs Contract. This account records the cost of repairs to project assets, including project repairs payroll (6540) and material (6541). Agents should capitalize repairs of significant amounts which extend the useful life of the asset.
- 6545 Elevator Maintenance/Contract. This account

records the cost of maintaining or repairing elevators by project employees or charges to the project for an elevator maintenance contract executed by the owner or agent.

- 6546 Heating/Cooling Repairs and Maintenance. This account records the cost of repairing and maintaining heating or air conditioning equipment owned by the project. Agents should capitalize repairs of significant amounts which extend the useful life of the equipment.
- 6547 Swim Pool Maintenance/Contract. This account records the costs of maintaining and operating the swimming pool by project employees or the charges to the project for any swimming pool contract executed by the owner or agent.
- 6548 Snow Removal. This account records the cost of removing snow from project sidewalks and parking areas.
- 6560 Decorating Payroll/Contract. This account records the salaries of project employees whose responsibility is decorating rental units, common space or the building's exterior.
- 6561 Decorating Supplies. This account records the cost of project labor and supplies in decorating rental units, common space or the building's exterior or charges to the project for any decorating contract executed by the owner or agent.

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- 6570 Vehicle and Maintenance Equipment Operation and Repairs. This account records the cost of operating and repairing project motor vehicles and maintenance equipment.
- 6590 Miscellaneous Operating Maintenance Expenses. This account records the cost of maintenance and repairs not otherwise classified in the 6400 and 6500 account Series. If necessary, agents should subdivide the account into specific accounts numbered 6591 through 6599.

6600-6690 DEPRECIATION:

HUD does not prescribe the method of depreciation for fixed assets of the project. The method of depreciation, however, must conform to GAAP.

These accounts represent depreciation charged for the fixed asset accounts during the accounting period. Agents make the corresponding credit to accounts in the 4100 Series, Accumulated Depreciation.

6700 TAXES AND INSURANCE:

- 6710 Real Estate Taxes. This account records payments made for real estate taxes of the project. At the end of project fiscal year, the account is credited by journal entry for any taxes paid but due in the following year. The corresponding debit is to Account 1270, Prepaid Taxes.
- 6711 Payroll Taxes (Project's Share). This account records the project's share of FICA and State and Federal Unemployment taxes.
- 6719 Miscellaneous Taxes, Licenses and Permits. This account records any taxes, licenses or

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permit fees assessed the project and not otherwise categorized in the 6700 Series.

- 6720 Property and Liability Insurance (Hazard). This account records the cost of project property and liability insurance. The account is debited through journal entry when funds are not escrowed by a mortgagee or when Section 202 projects deposit funds in a special escrow account.
- 6721 Fidelity Bond Insurance. This account records the cost of bonding project employees who handle cash.
- 6722 Workmen's Compensation. This account records the cost of workmen's compensation insurance for project employees. The account is debited through journal entry.
- 6723 Health Insurance and Other Employee Benefits.

This account records the cost of any health insurance and other employee benefits paid and charged to the project.

6729 Other Insurance. This account records the cost of insurance not otherwise classified in the 6700 Series.

6800 FINANCIAL EXPENSES:

6810 Interest on Bonds Payable. This account records interest paid or accrued on bonds issued to construct or permanently finance the project.

6820 Interest on Mortgage Payable. This account records interest paid or accrued on a mortgage issued to construct or permanently finance the project. The account is debited through journal entry.

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6830 Interest on Notes Payable. These accounts and 6840 record interest and discounts paid on short term (6830) and long term (6840) notes.

6850 Mortgage Insurance Premium/Service Charges. This account records payments to the mortgagee for insurance on the mortgage. In the case of HUD-held mortgages, the payment is in the form a service charge. At the close of the accounting period, agent credits the account for any premiums paid but due the following year. The offsetting debit is to Account 1250, Prepaid Mortgage Insurance.

6890 Miscellaneous Financing Expenses. This account records financial expenses not otherwise classified in the 6800 Series. If necessary, agents should subdivide the account into specific financial expense accounts numbered 6891 through 6899.

6900 ELDERLY AND CONGREGATE SERVICE EXPENSES:

Accounts in this Series are use primarily by projects designed for the elderly. The accounts record expenses directly related to special services provided the member (e.g., food, etc.). See Section 6-3 for a detailed listing of service

expenses in the 6900 Series. A schedule of accounts in this series shall be attached to the Statement of Income summarizing these expense accounts.

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7000 CORPORATE, MORTGAGOR, OR COOPERATIVE EXPENSES:

These accounts record expenses applicable to the mortgagor entities distinguished from expenses necessary and reasonable to the operation of the project. In addition, these accounts record expenses for community shared facilities. Owners and agents may charge expenses included in the 7000 Series against project operations only with the prior written approval of HUD.

7101 - 7105 Community Facilities. These accounts record expenses related to operating community shared facilities.

7110 Officer's Salaries. This account records salaries paid to officers for performing corporate duties. It should also include the value of any services given to an officer in lieu of a salary.

7120 Legal Expenses (Entity). This account records legal expenses related solely to the corporation or mortgagor entity.

7130 through 7132 - Taxes. These accounts record income tax through expense of the mortgagor entity for the tax year.

7190 Other Expenses (Entity). This account records mortgagor entity expense items not otherwise classified in the 7100 Series. The account includes fees for preparation of federal, state and local income tax returns for individuals or limited partners, fees paid to partners other than from available surplus cash and office rent and supplies used exclusively for mortgagor entity purposes.

7700 Trustee. This account records expenses paid to an independent third party to manage the affairs of the long term debt and protect both the interests of the lender and the borrower.