

**SUMMARY OF MAJOR CHANGES TO
DoD 7000.14-R, VOLUME 13, CHAPTER 6
“EXPENSES”**

All changes are denoted by blue font.

Substantive revisions are denoted by a ★ preceding the section,
paragraph, table, or figure that includes the revision.

Hyperlinks are denoted by *underlined, bold, italic, blue font*

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity and ease of reading. Added references and electronic links.	Update
0601	Added an Overview section to provide purpose and scope paragraphs.	Add
0602	Added an Expense Standards section.	Add
0603	Added a NAF Expenses section	Add
0604	Added an Other Expense Requirements section.	Add

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★ 0601 Overview

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CHAPTER 6

EXPENSES★0601 OVERVIEW

060101. Purpose. This chapter prescribes the standard policies surrounding Nonappropriated Fund (NAF) expenses.

060102. Scope. Policies in this chapter apply to all NAF Instrumentalities (NAFIs) and their supporting Accounting Offices (AOs) except the Armed Service Exchanges.

★0602 EXPENSE STANDARDS

060201. Recognition. Costs are recognized as an expense in the period that the revenue with which they are associated is recognized (the matching principle). Cost elements are included in inventory and are expensed as cost of sales when items are sold and revenue from the sale is recognized. If no connection with revenue can be established, then the asset's cost is allocated to the accounting period benefited in a systematic and rational manner. This form of expense recognition involves the expected length of benefit and the relationship and cost of each period (e.g., depreciation of fixed assets, amortization of intangibles, and allocation of rent and insurance). All other costs are recognized in the accounting period in which they are incurred.

060202. Recording. The AO records expenses in the appropriate NAFIs financial records and in the period in which the expense is incurred. Using the accrual method of accounting, AOs record expenses on a consistent basis in the appropriate cost center and in the operating cycle in which the expense was incurred. Expenses are recorded in accordance with the *Department of Defense Instruction (DoDI) 1015.15, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources."*

★0603 NAF EXPENSES. Expenses are decreases in economic benefits during an accounting period, in the form of outflows (or other asset depletion), or the incurrence of liabilities that result in a decrease in equity. In NAF accounting, expenses are the costs related to the sale of goods and services consequent to the operation of the NAFI.

060301. Cost of Goods Sold. This account holds the cost of inventory items sold in the reporting period. Net purchases (purchases less discounts, returns and allowances, transfers in from other funds or locations, transfers out to other funds or locations, and other inventory increases or decreases as applicable) added to the beginning inventory results in cost of goods available for sale. The ending inventory amount is deducted from cost of goods available for sale to obtain the cost of goods sold.

060302. Operating Expenses. These expenses are the primary recurring costs that are associated with NAFI operations, other than cost of goods sold, and are incurred in order to generate sales or services.

060303. Other Expenses (nonoperating). Nonoperating expenses are not related to NAFI's primary operations.

060304. Morale, Welfare, and Recreation (MWR) Utilization, Support, and Accountability (USA). Refer to DoDI 1015.15 for further information. MWR USA allows NAFIs to incur expenses for MWR that are authorized for appropriated fund (APF) support, subject to APF reimbursement. Refer to Chapter 5 of this volume for additional policy information on APFs received after NAFI expenditure.

060305. Morale, Welfare, and Recreation (MWR) Utilization, Support, and Accountability (USA) Recording. The AO will record authorized expenses as they occur in the applicable MWR USA expense accounts, which is the amount subject to APF reimbursement. Refer to Chapter 5 of this volume for information on recording APF reimbursement.

060306. Uniform Funding and Management (UFM). UFM allows APFs to be provided to the NAFI and remain available until expensed in accordance with laws applicable to the NAF. Chapter 5 of this volume provides additional policy information on APFs received by NAFs.

060307. Uniform Funding and Management (UFM) Recording. The AO will record UFM authorized expenses, as they occur, in the applicable expense accounts identified as UFM. The amount of expense incurred is the same amount recorded in the UFM income account in the appropriate reporting cycle. Refer to Chapter 5 of this volume for additional information on recording UFM funds.

060308. Travel and Transportation Expenses. NAFIs may be authorized to pay expenses for travel and transportation for NAF employees and their dependents when it is in the best interest of the NAFI. Refer to DoDI 1015.15 and *Department of Defense (DoD) 1401.1-M, "Personnel Policy Manual for Nonappropriated Fund Instrumentalities."*

060309. Professional Memberships. NAFIs may be authorized to pay the cost for applicable organizational or position memberships when beneficial to the NAFI. NAFIs are not authorized to incur these costs for individual memberships in professional organizations. Payment is authorized for NAF employees, if beneficial to the NAFI, to obtain professional credentials that include expenses for professional accreditations, state imposed and professional licenses, professional certifications, and the examinations to obtain credentials. Refer to DoDI 1015.15 for further information.

060310. Extraordinary Expenses. Extraordinary expenses are both unusual and infrequent. For example, NAFI expenses from Base Realignment and Closure (BRAC) and installation closure are extraordinary expense items. Extraordinary expenses are segregated from the results of ordinary operations and shown in a separate section in the financial reports, with details of the expenses explained in the footnotes. For additional information refer to Chapter 1 of this volume.

★0604 OTHER EXPENSE REQUIREMENTS. NAFIs prepare NAF budgets annually to provide financial data for management decision making. The operating budgets forecast NAF expenses and are used to compare against actual expenses reported on the financial statements. For additional information, refer to DoDI 1015.15.