

**VOLUME 13, CHAPTER 2: “NONAPPROPRIATED FUND STANDARD GENERAL LEDGER”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by [blue font](#).

Substantive revisions are denoted by an asterisk (\*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [bold, italic, blue, and underlined font](#).

The previous version dated [February 2014](#) is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
All	Reworded and reformatted the chapter for clarity. Revised references and added electronic links.	Revision
020102	Added an authoritative guidance paragraph identifying the accounting policies for the Nonappropriated Fund Standard General Ledger (NAFSGL).	Addition
020201	Added information on the basic common account code elements used for NAFSGL reporting.	Addition
0203	Added a section describing the NAFSGL framework identifying the specified common account code elements used to organize data for financial reporting.	Addition
0204	Clarified information related to the NAFSGL reporting categories and accounts used to organize accounting and financial statement information for Nonappropriated Fund Instrumentalities.	Revision
Figure 2-1 (Previous Version)	Deleted Figure 2-1 containing the NAFSGL Chart of Accounts and provided a hyperlink to the website containing this information.	Deletion

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## CHAPTER 2

**NONAPPROPRIATED FUND STANDARD GENERAL LEDGER**

## 0201 GENERAL

## 020101. Purpose

This chapter prescribes [policy](#) for the Nonappropriated Fund Standard General Ledger (NAFSGL), [maintained on the DoD NAF Accounting website](#). The NAFSGL is a modified version of the United States Standard General Ledger used for accounting and financial statement reporting to ensure financial statement [information](#) is consistent for all Nonappropriated Fund Instrumentalities (NAFIs). [The NAFSGL provides](#) for standardization and traceability from the financial statements through the general ledger balances to the source documentation for audit purposes. At a minimum, the Office of the Under Secretary of Defense ([Personnel & Readiness](#)) [updates and publishes the NAFSGL](#) prior to 1 October of each year. [Policies in this chapter apply to all NAFIs and their supporting accounting offices, except the Military \(Armed\) Service Exchanges, which include Army and Air Force Exchange Service, Navy Exchange Command, and Marine Corps Exchange.](#)

## \*020102. Authoritative Guidance

The accounting policies, and related requirements prescribed, are in accordance with the applicable provisions of:

A. Department of Defense Instruction (DoDI) [1015.15](#), “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;” and

B. [Financial Accounting Standards Board](#) Accounting Standards Codification ([ASC](#)). Users can obtain free access to the ASC by registering for the Basic View, which allows browsing by ASC topic.

## 0202 REPORTING

## \*020201. Basic Structure

The general ledger accounts are self-balancing (the total debits equal the total credits) and provide for accounting of business events. The NAFSGL contains basic [common account code elements](#), including the [Installation, Nonappropriated Fund \(NAF\), Activity, Cost Center, Site, and General Ledger Account Code \(GLAC\)](#). Each [Military Department](#) uses the accounts required for its particular financial operations. The NAFIs and [Military Departments](#) may not have to use all accounts. [See paragraph 020302 for a description of each common account code element.](#)

## 020202. Financial Transactions

All resources acquired and used, and valid claims to and against those resources, are to be recorded as financial transactions. Asset and liability accounts cover the collection and payment of cash, the proper classification of assets (e.g., receivables, prepayments, inventory, and fixed assets), and the recognition and proper classification of liabilities (e.g., accounts payable, wages payable, loan liabilities, and pension liabilities). Revenue and expense accounts measure the realization of revenues from the sale of goods and services, and the recognition of costs through the use and consumption of assets.

## \*0203 NAFSGL FRAMEWORK

## 020301. Reporting

The NAFSGL framework requires reporting by specified common account code elements used to organize data for financial reporting. The current NAF common account code elements include the Installation, NAF Fund, Activity, Cost Center, Site, and GLAC.

## 020302. NAF Common Account Code Elements

A. Installation. A five-character code used to indicate the Military Service and the location where the NAF program is physically or virtually located.

B. NAF Fund. A three-digit code that indicates the NAF Program Group and the type of NAF operation (e.g. Military Morale, Welfare and Recreation (MWR), Department of Defense Lodging, Military Academy Athletic Fund). More information about NAF Program Groups and the definition of NAFIs is in DoDI 1015.15.

C. Activity. A two-digit code that indicates a specific program or an operational program of a NAFI designed to increase the well-being of authorized MWR users. An activity identifies operational organizations within the service structure. Examples include bowling, camping, lodging, and golf.

D. Cost Center. A three-digit code providing a subset or subaccount used to give a more detailed view of a business activity by identifying the accounting subdivision of a NAFI. NAFIs consist of one or more subdivisions called cost centers. Transactions relating to one operational activity (e.g., military club) are recorded into one or more cost centers (e.g., bar, restaurant, or snack bar).

E. Site. A two-digit code for similar activities operated at separate physical locations that are associated with the same installation. For example, an installation might have two bowling alleys or three clubs. The service would provide a consecutive number for each similar location (e.g., Bowling Alley X = 01, Bowling Alley Y = 02). If the activity and cost center cannot be traced to a specific site, use the code "00" to indicate the activity and cost center do not align with a site. If only one physical location exists, use the code "01" to identify the location.

F. GLAC. A three-digit code that is used to record transactions relating to a Service's NAF program assets, liabilities, equity, revenues (income), and expenses. The GLAC is the central repository for accounting data transferred from all sub-ledgers or modules, such as accounts payable, accounts receivable, cash management, fixed assets, purchasing and projects.

\*0204 NAFSGL ACCOUNTS

020401. Categories

The NAFSGL uses a three-digit account numbering system for the GLACs. The Chart of Accounts is a list of GLACs with a detailed definition for each account. Within the NAFIs, the NAFSGL supports financial statement reporting at the Program Group level and the consolidated Military Department level. All data must summarize to the three-digit NAFSGL accounts and be traceable to the NAFIs using subaccounts. The following paragraphs discuss the definition of each summary category and the accounts that make up that specific summary category. The general ledger accounts are grouped into the following major summary categories:

<u>Account Numbers</u>	<u>Category</u>
100	Assets
200	Liabilities
300	Net Worth/Equity
400	Operating Income
500	Operating Expenses
600	Non-Operating Income
700	Non-Operating Expenses

020402. Assets

Account for assets in the 100 series of accounts. Current asset accounts consist of cash, investments, receivables, inventories, and other assets or resources that are reasonably expected to be converted to cash or be consumed during the normal operating cycle (12 months or less). Noncurrent asset accounts consist of NAFI-titled fixed assets, appropriated fund (APF)-titled fixed assets, and other long-term assets. Chapter 3 contains additional information on assets.

A. Cash/Investments. Cash and investments are liquid assets, which can be quickly used to carry out operations. Cash consists of coins, paper currency and readily negotiable instruments, cash in bank, foreign currencies, revolving cash funds, cash held in petty cash or change funds, imprest funds, savings, and restricted cash. Investments consists of interest-bearing deposits, certificates of deposit (12 months or less), and marketable securities. Employee retirement cash and investments (employee 401K, employee retirement, and employee post-retirement medical) must be excluded from a consolidated presentation. The employee retirement cash and investments will distort available NAF.

B. Receivables. Receivables are amounts due from others when the right to receive funds occurs. This may result from amounts owed by employees, customers, and organizations for amounts earned on products sold and services rendered. Receivables consists of

customer receivables, inter- and intra-NAFI receivables, APF receivables, merchant card receivables, claims receivables, employee receivables, accrued interest receivables, allowance for doubtful accounts, and other receivables.

C. Other Current Assets. Other current assets are prepaid expenses that are payments and expenditures made in contemplation of future benefits or performance. Other Current Assets consists of prepayments for supplies, contracts, insurance, franchise fees, deposits, and advance payments.

D. Inventory. Inventory consists of goods held for sale in the normal course of business, designated as resale inventory items, and warehouse materials not accounted for as prepaid supplies or fixed assets. Inventory consists of central warehouse inventory, work in progress inventory, and inventory in-transit.

E. Fixed Assets. Fixed assets are property, plant and equipment purchased, donated, or transferred to NAFIs that have an expected life of two or more years. Fixed Assets consists of buildings, land, land improvements, vehicles, aircrafts, boats, furniture, fixtures and equipment, information technology, livestock, assets in progress, fixed assets in-transit when ownership passes to the NAFI before receiving the asset, and accumulated depreciation.

F. Other Noncurrent Assets. Other noncurrent assets are assets not identified in other asset categories. Other Noncurrent Assets consists of long-term pension benefit assets, receivables, long-term prepaid expenses, certificates of deposit (more than 12 months), marketable securities, long-term contributions, long-term franchise fees, intangible assets, and long-term royalty and trademark fees. Report pension benefit asset information when the pension plan is overfunded and classified as a noncurrent asset. Refer to Statement of Financial Accounting Standards (FAS) No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans” and Chapter 11 for reporting guidance.

#### 020403. Liabilities

Account for liabilities in the 200 series of accounts. Current liability accounts are due on demand or will be due on demand within 1 year and consist of accounts payable, wages payable, interest payable, post-retirement benefit obligations (12 months or less), and other liabilities. Long-term liability accounts are due more than 12 months from the date of the Balance Sheet and consist of loan liabilities, capital lease liabilities, post-retirement benefit obligations (more than 12 months), and other long-term liabilities. Chapter 3 contains additional information on liabilities.

A. Accounts Payable. Accounts Payable consists of the amounts owed for goods and services.

B. Post-Retirement Benefit Obligation – Current. Report the current obligation when the pension plan is underfunded (plan assets are less than the plan benefit obligation). Report obligation information when the pension plan is underfunded and classified as a current liability as determined and provided by the pension provider. This includes any other

post-retirement benefit plan, such as retiree health care. The benefit obligation is the accumulated post-retirement benefit obligation. Refer to FAS No. 158 and Chapter 11 for reporting guidance.

C. Other Current Liabilities. Other Current Liabilities consists of various payables, including loans, leases, interest, wages, taxes, and unearned income.

D. Long-Term Loans Payable. Long-Term Loans Payable consists of the amount of loans and notes that will be paid in more than 12 months.

E. Post-Retirement Benefit Obligation – Long-Term. Report the long-term obligation when the pension plan is underfunded (plan assets are less than the plan benefit obligation). Report obligation information when the pension plan is underfunded and classified as a long-term liability as determined and provided by the pension provider. This includes any other post-retirement benefit plan, such as retiree health care. The benefit obligation is the accumulated post-retirement benefit obligation. Refer to FAS No. 158 and Chapter 11 for reporting guidance.

F. Other Long-Term Liabilities. Other Long-Term Liabilities consists of the amount of leases and claims that will be paid in more than 12 months.

020404. Net Worth/Equity

Account for Net Worth/Equity in the 300 series of accounts. Net Worth consists of retained earnings, transferred equity, workers' compensation reserves, equity reserves, undistributed profits and net income, unrealized gains and losses, and other equity transactions. The pension cost liability account records any adjustment made to the existing pension balances in the Balance Sheet. Post these adjustments as an offset to the equity account in the Balance Sheet as either an addition or reduction to Net Worth. Account for these temporary adjustments in the Net Worth section of the Balance Sheet in the same manner as the unrealized gains and losses on investments pursuant to FAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." In addition, do not include these temporary adjustments in the net worth calculation. Refer to FAS No. 158 for reporting guidance.

020405. Operating and Non-Operating Income

Classify income as either operating (400 series) or non-operating (600 series).

A. Operating Income. Account for operating income in the 400 series of accounts. Examples of operating income accounts include gross sales income, participation fees income, concessionaire income, rental income, amusements income, gaming income, reimbursement income, and other operating income. Chapter 5 contains additional information on income.

B. Non-Operating Income. Account for non-operating income in the 600 series of accounts. Examples of non-operating income include interest income, rebates income, subsidy income, exchange dividend income, extraordinary income, and other non-operating income.

## 020406. Operating and Non-Operating Expenses

Classify expenses as either operating (500 series) or non-operating (700 series).

A. Operating Expenses. Account for operating expenses in the 500 series of accounts. Examples of operating expenses include purchases, cost of goods sold, wage expense, tax expense, retirement expense, supplies expense, communication expense, utilities expense, travel expense, claims expense, entertainment expense, bad debt expense, and other operating expense. Chapter 5 contains additional information on expenses.

B. Non-Operating Expenses. Account for non-operating expenses in the 700 series of accounts. Examples of non-operating expenses include interest expenses, prior year(s) expense adjustments, extraordinary expenses, and other non-operating expenses.