CHAPTER 4. HUD CHART OF ACCOUNTS

4-1. INTRODUCTION

This chapter lists and defines the prescribed uniform system of accounts used by owners of all HUD-insured, HUD-held, cooperative and Section 202 direct loan 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 other rental projects, as well as the special asset and member equity accounts defined specifically for Cooperative projects.

4-2. 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 the Manual of Accounts.

4-3. CHART OF ACCOUNTS

A. 1000 ASSET ACCOUNTS.

1100 CURRENT ASSETS:
   1110 Petty Cash
   1120 Cash in Bank
   1130 Tenant/Member Accounts Receivable
1140 Accounts Receivable (Other)
1150 Notes Receivable
1160 Accrued Receivables
1170 Investments (Short Term)
1190 Miscellaneous Current Assets
1191 Tenant 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)
   1380 Project Improvement Account

1400 FIXED ASSETS:
   1410 Land
   1420 Buildings
   1430 Building Equipment (Fixed)
   1440 Building Equipment (Portable)
   1450 Furniture for Project/Tenant 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

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>2100</td>
<td>CURRENT LIABILITIES:</td>
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<tr>
<td></td>
<td>2110 Accounts Payable</td>
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<tr>
<td></td>
<td>2112 Accounts Payable - Project Improvement Items</td>
</tr>
<tr>
<td></td>
<td>2115 Accounts Payable - HUD</td>
</tr>
<tr>
<td></td>
<td>2120 Accrued Wages and Payroll Taxes Payable</td>
</tr>
<tr>
<td></td>
<td>2130 Accrued Interest Payable</td>
</tr>
<tr>
<td></td>
<td>2140 Dividends or Distributions Payable</td>
</tr>
<tr>
<td></td>
<td>2150 Accrued Property Taxes</td>
</tr>
<tr>
<td></td>
<td>2160 Notes Payable (Short Term)</td>
</tr>
<tr>
<td></td>
<td>2190 Miscellaneous Current Liabilities</td>
</tr>
<tr>
<td></td>
<td>2191 Tenant Security Deposits Held in Trust (Contra)</td>
</tr>
<tr>
<td>2200</td>
<td>PREPAID REVENUES:</td>
</tr>
<tr>
<td></td>
<td>2210 Prepaid Rent</td>
</tr>
<tr>
<td></td>
<td>2220 Prepaid Rent Revenue</td>
</tr>
<tr>
<td></td>
<td>2230 Apartment Rehabilitation Deposits (Coops)</td>
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<tr>
<td>2290</td>
<td>Miscellaneous Prepaid Revenues</td>
</tr>
<tr>
<td>2300</td>
<td>LONG TERM LIABILITIES:</td>
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<tr>
<td></td>
<td>2310 Notes Payable (Long-Term)</td>
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<tr>
<td></td>
<td>2311 Notes Payable - Surplus Cash</td>
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<tr>
<td></td>
<td>2320 Mortgage Payable</td>
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<tr>
<td></td>
<td>2330 Bonds Payable</td>
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<tr>
<td></td>
<td>2340 Flexible Subsidy Loan Payable</td>
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<tr>
<td></td>
<td>2350 Capital Improvement Loan Payable</td>
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<td></td>
<td>2360 Operating Loss Loan Payable</td>
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<tr>
<td></td>
<td>2390 Miscellaneous Long Term Liabilities</td>
</tr>
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</table>

C. 3000 MEMBERS EQUITY (NET WORTH)

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
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<tbody>
<tr>
<td>3100</td>
<td>OWNER EQUITY</td>
</tr>
<tr>
<td></td>
<td>3105 Certificates Subscribed (Coops)</td>
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<tr>
<td></td>
<td>3110 Capital Stock - Preferred</td>
</tr>
<tr>
<td></td>
<td>3120 Capital Stock - Common</td>
</tr>
<tr>
<td></td>
<td>3130 Owner Equity or Certificates Held in Treasury (Coops)</td>
</tr>
</tbody>
</table>
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
4140 Reserve for Depreciation - Building Equipment - Portable

4150 Reserve for Depreciation - Furniture for Project and Tenant 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 Reserve for Collection Losses

E. 5000 REVENUE ACCOUNTS.

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

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

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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
  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

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6515 Janitor and Cleaning Supplies
6517 Janitor and Cleaning Contract
6519 Exterminating Payroll/Contract
6520 Exterminating Supplies
6525 Garbage and Trash Removal
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

6600 DEPRECIATION EXPENSES
   6620 Depreciation - Buildings
   6630 Depreciation - Fixed Building Equipment
   6640 Depreciation - Building Equipment
   - Portable
   6650 Depreciation - Furniture for Project and Tenant 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
<table>
<thead>
<tr>
<th>6720 Property &amp; Liability Insurance (Hazard)</th>
</tr>
</thead>
</table>

| 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: |
| 6930 Dietary Salaries |
| 6932 Food |
| 6933 Dietary Supplies |
| 6940 Registered Nurses Payroll |
| 6941 Licensed Practical Nurses Payroll |
| 6942 Other Nursing Salaries |
| 6950 Housekeeping Salaries |
| 6951 Housekeeping Supplies |
| 6952 Other Housekeeping |
| 6960 Drugs and Pharmaceuticals |
| 6961 Medical Salaries |
| 6962 Other Medical |
| 6970 Laundry and Linen |
| 6980 Recreation and Rehabilitation |
| 6990 Other Service Expenses |

| 7000 CORPORATE, MORTGAGOR, OR COOPERATIVE EXPENSES: |
| 7110 Officer's Salaries |
| 7120 Legal Expenses |
| 7130 Federal Income Tax |
| 7131 State Income Tax |
| 7132 Other Taxes (Entity) |
| 7190 Other Expense |

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4-4. MANUAL 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 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 Tenant/Member Accounts Receivable (Coops). This account reflects the total rents receivable from tenants. The account balance is supported by the Tenant 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 rental revenue accounts in the 5000 series. Agents must make an additional credit for Section 236 projects to Account 2115, Accounts Payable - HUD for any rents due from tenants in excess of the basic monthly rent. Credits to the Tenant Accounts Receivable accounts come from the Cash
Receipts Journal or from journal entries which record concessions to tenants in lieu of rent (see Account 6250).

1140 Accounts Receivable - Other. This account represents amounts due the project other than tenant rents receivable and accrued revenue. It is a controlling account 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 an 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 revenue, other than from rent. 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 account into specific current asset accounts numbered from 1192 to 1199.

1191 Tenant Securely 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 tenant damages and delinquent rents when a tenant vacates. Total funds in the account must at all times equal or exceed the corresponding liability account, 2191 Tenant 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 stored 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.

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.

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1300 FUNDED RESERVES:

1310 Mortgagee 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.

1320 Cash Replacement Reserve. This records the monthly payments to the mortgagee, or, for Section 202 Projects, funds deposited in special bank accounts, as required by the Regulatory Agreement.

1321 Securities - Replacement Reserve. This account records replacement reserve funds that are invested. Section 202 projects deposit replacement reserve funds in a special bank account(s). Credits to the account come from the Cash Receipts Journal supported by HUD-approved releases from the Replacement Reserve account. Interest earned on the
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 tenant 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 or, in the case of Section 202 projects, in a separate Residual Receipts Account. Mortgagors credit the account for disbursements from the fund in amounts authorized by HUD. Interest earned on the account is credited to Account 5430, Revenue from Investments - Residual Receipts.

1341 Securities - Residual Receipts Reserve. The balance of this account reflects total funds held or invested in securities by the mortgagor using funds from the Residual Receipt Account or, in the case of Section 202 projects, funds held in separately identified investments.

1350 Cash - General Reserves. This account records amounts paid in by the mortgagor 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
cooperaive members. The account is
reimbursed (debited) when the cooperative
resells the unit or when the cooperative collects
the delinquent member carrying charges. Also
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. Owners 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 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 Tenant Use. The net cost of all equipment and furniture purchased by the project for use in the project office, lobbies, halls, lawns, and sundecks, plus the freight and drayage on the furniture, is charged to this account. The cost of furniture purchased from project funds for rental to tenants is charged to Account 1451. The account is credited as furniture is withdrawn for project or tenant 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, lawn mowers or snow blowing 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 tenants. 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.

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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 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 rents collected in excess of the allowable basic rents. The account is credited monthly from the Rent Roll and is debited monthly from the Cash Disbursements Journal when a check for the amount of excess rents 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 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 paid during the present period should agree with total(s) from Line 4, "Amount Available for Distribution During the Next Fiscal Period," of the Form HUD-93486, Computation of Surplus Cash, Distributions and Residual Receipts, prepared for the prior period (or periods, where the distribution may be made semiannually). 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.

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 a 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, owners may subdivide this account into specific current liability accounts numbered from 2192 to 2199.

2191 Tenant Securely 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 rents received from tenants (including commercial tenants) that apply to future accounting periods. When the rent is received in advance, this account is credited and Cash (1120) is debited. As the rent becomes due, agents make a journal entry debiting this account and crediting Tenant Accounts Receivable (1130).

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

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 Revenues. This account records any prepaid revenue other than rents 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 of the note. The account is credited when the note is issued and debited when payments are made on the note from available surplus cash.

2320 Mortgage Payable. This account reflects the unpaid principal balance of the mortgage. The account is debited by the amount of regular amortization payments made on the mortgage. Interest payments on the mortgage are charged to Account 6820, interest on Mortgage Payable.

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 Operating Assistance 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 (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 3000.

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. This account normally is used by mortgagors controlled by HUD through a Corporate Charter rather than through a Regulatory Agreement.

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 returned to the Treasury (Account 3130) pending 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 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. For cooperatives, 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 expense (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 RESERVE FOR COLLECTION LOSSES:

This account records the amount of tenant accounts receivable that agents estimate are uncollectible. This Allowance is increased (and an expense recorded) when full collection becomes doubtful. A journal entry is made crediting this account and debiting Bad Debt Expense (Account 6370) for the estimated amount of uncollectible Tenant 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, Tenant 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 (Coop). Except for Section 236 and 221(d)(3) BMIR projects, this account records gross rent potential less tenant assistance payments for all residential units (including non-revenue producing units). For section 236 and 221(d)(3) BMIR projects, the account records basic rental charges due for tenants as shown on the latest Form HUD-92458, Rental Schedule, less tenant assistance payments. See Account 5190 for treatment of rents due or collected from tenants paying amounts greater than the basic rental charge. Offsetting debits to this account are Account 1130, Tenant Accounts Receivable, Account 5220, Vacancies - Apartments, and Account 6331, Manager or Superintendent Rent Free Unit.

5121 Tenant Assistance Payments. This account records tenant assistance payments received or earned by the project. Tenant assistance
payment programs include the Rent 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 revenue expectancy from furniture and equipment when the project provides furnished apartments.

5140 Rent Revenue - Stores and Commercial. This account records gross rental revenue expectancy from stores, offices, rented basement space or other commercial facilities.

5170 Garage and Parking Spaces. This account records the gross potential rental revenue 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 rental revenue expectancy not otherwise described above. For Section 221(d)(3) BMIR projects, this account records rental collections due from over-income limit tenants in excess of the basic rental charge. For Section 236 projects, this account records excess rents collected from tenants when no payment is due HUD for the reporting month. Also see definition of Account 2115, Accounts Payable - HUD.

5200 Vacancies. These accounts (5220-5290) record rental 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 rents for services provided to tenants (e.g., meal services, housekeeping and nursing care 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 mortgagee by HUD on behalf of 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 for the interest amount and the appropriate interest generating asset account will be debited.

5900 OTHER REVENUE:

5910 Laundry and Vending Revenue. This account records project revenues received from laundry and vending
machines owned or leased by the project.

5920 NSF and Late Charges. This account records charges assessed to tenants for rent checks returned for insufficient funds and for late payment of rents.

5930 Damages and Cleaning Fees. This account records charges collected from tenants for damages to apartment units and for fees paid by tenants for cleaning of an apartment unit (other than regular housekeeping services).

5940 Forfeited Tenant Security Deposits. This account records any security deposits forfeited by tenants moving out of the project. The account is credited only when the tenant security deposit is deposited to the project operating account.

5990 Other Revenue. This account records project revenues not otherwise described in the above revenue accounts. If necessary, agents should subdivide the account into specific revenue accounts numbered 5991 through 5999.

6000 PROJECT EXPENSE ACCOUNTS:
All project expense accounts are closed to Account 3250, Profit and Loss, at the end of the accounting period. Unless otherwise noted, all debits to the expense accounts are made from the Cash Disbursements Journal.

6200 AND 6300 ADMINISTRATIVE EXPENSES:

6210 Advertising. This account records the cost of advertising the rental 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 Renting Expenses. This account records miscellaneous expenses related to the rent-up of vacant units. For example, charges to this account may include reasonable payments to
third parties for referring new tenants to the project or the cost of new locks after a tenant moves out. Agents may also charge this account for any allowance given tenants in lieu of rent (e.g., providing a new tenant a week's free rent in exchange for cleaning and painting the unit).

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 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.

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

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

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).

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 rent 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 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 accounting or computing 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 tenant 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 Tenant 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.

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.
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 Securely 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.

6542 Repairs Contract. This account records the cost of contract repairs to project assets. Agents should capitalize repairs of significant amounts which extend the useful life of the asset.
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.

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.

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.

Snow Removal. This account records the cost of removing snow from project sidewalks and parking areas.

Decorating Payroll/Contract. This account records the salaries of project employees whose responsibility is decorating rental units, common space or the building's exterior.

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.

Vehicle and Maintenance Equipment Operation and Repairs. This account records the cost of operating and repairing project motor vehicles and maintenance equipment. Motor vehicle insurance is not included in this account but is charged to Account 6720, Property and Liability Insurance (Hazard).

Miscellaneous Operating and 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 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.

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

6840 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.

6850 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 tenant (e.g., nursing expenses, drugs, food, etc.). See Section 4-3 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.

7000 CORPORATE OR MORTGAGOR 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.

7110 Officers' Salaries. This account records salaries paid to officers for performing corporate duties. It should also include the value of any services given in 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 federal and state income tax and other corporate/entity taxes 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.