

January 29, 1996

Cheng Y. Chuang  
Chairman  
Texas Formosan FCU  
P.O. Box 773379  
Houston, TX 77215-3379

Re: Tax Exempt Organizations (Your January 2, 1996, Letter)

Dear Mr. Chuang:

The members of Texas Formosan Federal Credit Union ("FCU") want to contribute to the construction of a basketball court in the FCU's neighborhood community center. You have asked whether there are any limits on the amount the FCU can contribute to this project.

The National Credit Union Administration (NCUA) does not set limits on the amount an FCU can donate to a charitable activity. The NCUA does, however, require contributions be limited to authorized tax exempt organizations within the FCU's community, that the FCU's board of directors approve all contributions and that the amount contributed is sound given the FCU's financial condition. Interpretive Rule and Policy Statement 79-6 (copy enclosed).

You have also asked us to describe the accounting treatment for charitable contributions. The relevant generally accepted accounting principles are found in FAS 116, Accounting for Contributions (copy attached). Generally, FAS 116 directs the FCU to show the contribution as an expense in the period the FCU makes the donation.

Sincerely,

Richard S. Schulman  
Associate General Counsel

GC/JM:bhs  
SSIC 3500  
96-0113  
Enclosures