

Procedures Manual

Title: Financial Prepaid Expense Procedure
Policy Administrator: Controller, Finance Department
Effective Date: Apr 01 2024
Approved by: Elizabeth Dionne, Associate VP for Finance

Prepaid Expense Procedure

Description: Prepaid expenses are amounts that have been paid in advance of receiving benefit from the product or service. The amount of benefit not yet received is an asset to the College. As the amount expires, the asset is reduced and the amount of the reduction is reported as an expense on the income statement. This ensures that the expenses are recorded in the same year as the benefit is received.

Materiality: No prepaid expenses are required to be recorded on any transaction less than \$10,000. Expenses should not be recorded as prepaid expenses if they are less than \$2,500. This is the threshold we have determined to be immaterial to financial reporting. (Note: Controller's Office reserves the right to adjust this threshold based on analysis of activity).

Expense System: Best practice for invoices or charges entered through an expense system (i.e. Chrome River) is always to record the prepaid to Account Code 1501 with Allocation to the appropriate department (i.e. 1000 640000) through the system so no Journal Entry is required from the Controller's Office.

Invoices: If an invoice has a period of service in the next fiscal year but will actually be paid (not just submitted) in the current fiscal year then it should be recorded to Account Code 1501.

Example: Invoice is dated in FY2024 (03/01/24) that is for a service to be provided in FY2025 (07/15/24) and is for \$3,000. The invoice should be recorded to 1501 for FY2024 and then the Controller's Office will move the expense out of P 1501 6" (recorded 9Tf 1.8907 0 TD 1 Tf .28 .2842 0