

FP-30 (1) PREPAID EXPENSES POLICY

POLICY

Accounting Treatment

ACCORD treats payments of expenses that have a time-sensitive future benefit as prepaid expenses and will amortize these items over the corresponding time period. For purposes of this policy, payments of less than one thousand dollars (\$1,000) shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

Prepaid expenses with future benefits that expire within one (1) year from the date of the financial statements shall be classified as current assets. Prepaid expenses that benefit future periods beyond one (1) year from the financial statement date shall be classified as noncurrent assets.

Procedures

As part of the account coding process performed during the processing of accounts payable, all incoming contractor invoices shall be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment shall be coded to a prepaid expense account code.

The Finance Department shall maintain a schedule of all prepaid expenses. The schedule shall indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization. This schedule shall be reconciled to the general ledger balance as part of the monthly closeout process.