

COLLEGE of CHARLESTON

OFFICIAL POLICY

2.2.2.2

Prepaid Expenses

7/29/16

Policy Statement

The College of Charleston (CofC) records its assets in accordance with Generally Accepted Accounting Principles (GAAP) and pronouncements issued by the Governmental Accounting Standards Board (GASB). GAAP requires that all College operations be maintained on the *accrual basis* of accounting. This requires that expenses be recorded in the period that the goods and/or services are received and/or rendered.

Policy Manager and Responsible Department or Office

The Controller's Office has the responsibility to ensure compliance with this policy and related procedures. The Controller's Office is required to establish and maintain accounting systems to collect, record, and report on prepaid expenses. Departments that purchase goods or services in advance are responsible for maintaining adequate records showing dates of receipt and/or dates of service.

Policy

For College of Charleston purposes, a prepaid expense is a current fiscal year payment for goods or services which are to be received in the next fiscal year. Expenses for goods and services may be allocated between fiscal years based on the unused portion of the payment. The unused portion at the end of the fiscal year is an asset of the College to be expensed in subsequent periods as the benefits of the asset are depleted.

In reviewing prepaid expenses each fiscal year, the college utilizes a threshold of \$1,000. All payments of invoices for goods or services with a value of \$1,000 or more, which cross fiscal years, will be reviewed. The portion pertaining to the current fiscal year will be

expensed. The portion related to future periods will be recorded on the college's balance sheet as a prepaid expense, and expensed in the future period that the expense covers.

Examples

1. A subscription is purchased for \$1,200 in May of the current fiscal year. The subscription period is from July 1 through June 30 which covers a future fiscal year. The entire amount will be recorded as prepaid because it is for a future period.
2. A subscription is purchased for \$1,200 in March of the current fiscal year. The subscription period is from April 1 through March 31 which crosses fiscal years. The College will expense \$300 (April-June) during the current fiscal year and will record \$900 (July-March) as a prepaid expense, because \$900 represents the amount that is for a future period.

Departments/Offices Affected by the Policy

This policy affects all departments and offices of the College of Charleston.

Related Policies, Documents or Forms

Generally Accepted Accounting Principles (GAAP)

Issue Date: 4/8/2011 Date of Policy Revision: 7/29/2016	Next Review Date: 10/15/2020
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POLICY APPROVAL

(For use by the Office of the Board of Trustees or the Office of the President)

Policy Number: 2.2.2.2 (Prepaid Expenses)

President or
Chairman, Board of Trustees

John E. McPherson, Pres.

Date: 7/29/16