

Date Updated and Published: May 2017**Revision History:****Review: Annually****Last Date Reviewed:** November 2019**DEFINITIONS**

Prepaid Expenses – payments made during a fiscal year, the benefits of which are received in a subsequent fiscal year. Prepaid expenses are assets which are generally consumed or used over time and can be converted back to cash. The items recorded as prepaid expenses are usually regularly recurring costs of operations, such as, but not limited to, prepaid leases/rent, unexpired insurance premiums, and membership dues.

POLICY

Bethel University records its assets in accordance with Generally Accepted Accounting Principles (GAAP), which require all University operations be maintained on the accrual basis of accounting. To this end, all expenses must be recorded in the accounting period that goods are received and/or services are rendered. For University 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. Bethel University's fiscal year covers the period from August 1 through July 31. Neither the budgeting process nor the purchasing process has any bearing on when a transaction is recorded for financial accounting purposes. Prepaid and accrual adjustments are necessary to ensure the University's annual financial statements present fairly, in all material respects, the financial results for the fiscal year.

PROCEDURE

In reviewing prepaid expenses each fiscal year, the University utilizes a threshold of \$1,000. All payments of invoices for goods and/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, while the portion related to future periods will be recorded on the

University's balance sheet as a prepaid expense (an asset). Prepaid expenses will be expensed in the future period that benefits from the expense.

RESPONSIBLE PARTIES/MONITORING

The Business Office monitors all invoices submitted for payment. If an allocation is warranted between an expense and a prepaid expense, the Business Office will make that allocation to ensure the payment is expensed in the proper fiscal year.

Responsible parties include the Vice President of Finance/CFO, Director of Business Affairs, Accounts Payable Coordinator(s), and Accounting Specialist(s).

PUBLICATION

This policy will be published on the University's website.