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| Accounting for Accrued Expenses | **Last Revision:** | July 2019 |
| **Last Reviewed**: | June 2020 |
| **Applies to the following THA Group of Companies:** | * Island Health Care * Island Hospice * Independent Life at Home * THA Services * RightHealth® * Palliation Choices |
| **Included in the following THA Manual:** | Administrative Policies & Procedures  Finance |

**POLICY**

* Accrued expenses are the recognition of a charge and the related liability for rendering services or carrying out other activities that constitute the Company's clinical, administrative and management activities without the explicit outlay or payment of cash.
* For GAAP reporting, expenses are recognized on the accrual basis. The accrual basis of accounting recognizes expenses when they are incurred or paid. The accounting recognition occurs when services are rendered or the goods are received whether or not payment has been made or an invoice received.
* If expenses are incurred before cash is paid, then they are recorded and recognized as an accrued expense.

**PROCEDURE**

For financial statement and government reporting purposes, costs for delivered goods or services rendered in excess of $500 for which cash has not been paid or invoice received will be recorded as an accrued expense.

As various services are rendered or goods are received, their cost should be reflected in the financial statements as an expense (on the income statement) and a liability (on the Balance Sheet*)* whether or not there has been an outlay of cash or invoice received.

The recording of this expense thus constitutes an accrued expense. (See list of items to accrue below)

### Expenses to Accrue

Accrued expenses are segregated as follows:

1. Salaries and wages - includes payroll and PTO time
2. Employee benefits - includes employee deferrals, retirement plans, and other costs
3. Supplies, services, and equipment - includes unpaid invoices for goods and services which have been incurred (that is, performed or delivered) but not paid until after month-end or fiscal year-end.
4. Interest - on external debt
5. Insurance - based upon the portion of the policy year until payment is made
6. Taxes - includes payroll, unrelated business income, real property, and so on