

## Note 10. Advances and Prepayments

### Advances and Prepayments as of September 30, 2021, and 2020

(In billions of dollars)	2021	2020
Department of the Treasury .....	256.1	68.9
Department of Health and Human Services.....	70.1	106.1
Department of Defense.....	20.7	20.5
Department of Labor.....	13.0	8.2
All other .....	9.4	14.9
Total advances and prepayments .....	<u>369.3</u>	<u>218.6</u>

In FY 2021, the presentation for advances and prepayments was modified to present the line item separately on the Balance Sheet. The FY 2020 presentation was modified to conform to the FY 2021 presentation. Advances and prepayments are assets that represent funds disbursed in contemplation of the future performance of services, receipt of goods, the incurrence of expenditures, or the receipt of other assets. These include advances to contractors, grantees, Medicare providers, and state, local, territorial, and tribal governments; travel advances; and prepayments for items such as rents, taxes, insurance, royalties, commissions, and supplies.

Until such time as the goods or services are received, contract terms are met or progress has been made, or prepaid expenses expired these should be recorded as assets. Any amounts that are subject to a refund at the time of completion should be transferred to accounts receivable.

Treasury had the largest increase, \$187.2 billion, to advances and prepayments for FY 2021. During FY 2020, Treasury disbursed \$149.5 billion in COVID-19 funds for financial assistance payments to state, local, territorial, and tribal governments to cover eligible costs incurred as a result of the pandemic. Treasury disbursed an additional \$276.7 billion in FY 2021. The amounts disbursed during FY 2020 and FY 2021 were initially recorded as advances. The advances balance is subsequently reduced as eligible costs are incurred. Funding for healthcare providers and suppliers under HHS's AAP during FY 2020 of \$103.6 billion were recorded as advances. Pursuant to the *Continuing Appropriations Act, 2021* and *Other Extensions Act*, CMS delayed repayment of these advances for one year from the date each provider or supplier's AAP was issued. Collections of these amounts began in April 2021, which reduced the advances balance.