

Note 9. Advances and Prepayments

Advances and Prepayments as of September 30, 2022, and 2021		
(In billions of dollars)	2022	2021
Department of the Treasury	225.2	256.1
Department of Health and Human Services	39.2	70.1
Department of Defense	14.2	20.7
Department of Labor	10.7	13.0
All other	8.8	9.4
Total advances and prepayments.....	<u>298.1</u>	<u>369.3</u>

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 and HHS had the largest changes to advances and prepayments. Treasury's \$30.9 billion decrease represents additional liquidation of advances paid to state, local, territorial, and tribal governments pursuant to the COVID-19 related legislations enacted during FY 2021 and FY 2020. See also Note 29—COVID-19 Activity. HHS's decrease of \$29.5 billion was primarily due to collections of COVID-19 Accelerated & Advance Payment program advances offset by the October 2022 Prescription Drug and Medicare Advantage benefit payments which occurred on September 30, 2022, instead of October 1, 2022. The remaining amount of the decrease is primarily due to recognizing grant expenses at the time of payment to the grant recipients, beginning in March 2022.