

# Vendor Incentives and Financial Considerations

## 1. Introduction

### 1.1. Purpose

The Vendor Incentives & Financial Considerations policy has been developed to identify proper accounting treatment.

### 1.2. Scope

This policy applies to all vendor incentives and financial considerations at Providence Health Care (PHC). Vendor incentives include but are not limited to the following:

- Cash and product rebates
- Education funding and seminars
- Hospitality
- Major donations
- Research support
- Contributions to conference travel vendor site visits

## 2. Policy

It is PHC policy to acquire all goods and services at the lowest net costs to the organization, inclusive of all rebates and other financial considerations.

All vendor incentives are considered PHC operating revenue in the fiscal year received or receivable, unless the funds are specifically restricted for future use by the vendor.

### 2.1. Accounting Principles

In order to defer the funds to future fiscal years all of the following conditions must be met:

- The funds must be restricted for a specific purpose, event or type of expenditure, and communicated by the provider of the funds in a written document. A general restriction does not suffice, e.g., Funds for general education. The restriction must be specific, e.g., Education seminars for wound care.
- There must be a time restriction on when the funds must be fully utilized that is reasonable e.g., Funds must be spent within the next 2 years. If not, timing of the disbursement will be determinable based on specific events that will take place in the future in accordance with the stated restrictions.
- Ensure the agreement containing the restriction over the funds is in place prior to the funds being received or within a reasonable time frame i.e., restrictions must have been in

place at the time the funds are issued; otherwise the funds are considered unrestricted and must be brought into income immediately upon receipt.

- The restrictions have created an obligation for PHC resulting in a liability.

### **3. Responsibilities**

- All vendor incentives must be reported to PHC Finance to ensure they are accounted for correctly.
- All vendor incentives payments received from the vendor must be forwarded to PHC Finance.
- PHC Finance will be responsible for depositing the payments in the appropriate cost centre.

### **4. Compliance**

Finance will monitor all the vendor incentive payments and ensure the payments are accounted in accordance with the policy. Any non-compliance will be reported to the CFO & VP Corporate Development.

### **5. Supporting Documents**

#### **5.1. Related Policies**

[Conflict of Interest](#)

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