FY17 Year-End Reporting and Communication Meeting

March 24th, 2017

AGENDA

1. Year-End Contacts
2. Year-End Memo
3. Year-End Cut-Off Deadlines
4. Year-End Accruals, Recurring and ME Journals
5. Variance Analysis Process
6. Endowment Matters
7. RSF (Research Support Fund-formerly FICR)
8. Important Tips
9. Knowledge Base Reference Articles
10. Questions & Comments

1. FY17 Year-End Contacts

<table>
<thead>
<tr>
<th>POSITION</th>
<th>CONTACT</th>
<th>TELEPHONE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Controller Controller</td>
<td>Myriam Bensimon</td>
<td>398-5999</td>
</tr>
<tr>
<td>Year-end Contacts</td>
<td>Ani Katchouanian</td>
<td>398-8090</td>
</tr>
<tr>
<td></td>
<td>Alan Moskovic</td>
<td>398-1308</td>
</tr>
<tr>
<td>Financial Reporting, Endowments &amp; Unrestricted Accounting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Reporting - Unrestricted</td>
<td>Tara Wilkins</td>
<td>398-6117</td>
</tr>
<tr>
<td>Unrestricted Accounting</td>
<td>Orsola Sasso</td>
<td>398-1513</td>
</tr>
<tr>
<td>Financial Reporting - Restricted &amp; Endowments</td>
<td>Alan Moskovic</td>
<td>398-1308</td>
</tr>
<tr>
<td>Fund Admin-Endowments</td>
<td>Rachida Adamou Diawara</td>
<td>398-1427</td>
</tr>
</tbody>
</table>
### 1. FY17 Year-End Contacts (Cont’d)

<table>
<thead>
<tr>
<th>POSITION</th>
<th>CONTACT</th>
<th>TELEPHONE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Services Manager</td>
<td>Tonia Sciannamblo</td>
<td>398-8815</td>
</tr>
<tr>
<td>Transaction Services Accounts Payable &amp; PCard</td>
<td>Kimberley-Ann Renaud</td>
<td>398-1065</td>
</tr>
<tr>
<td>Banking Services</td>
<td>Peter Guertin</td>
<td>398-3353</td>
</tr>
<tr>
<td>Finance Accounts Receivable</td>
<td>Maria Anania</td>
<td>398-2311</td>
</tr>
<tr>
<td>Travel Help Desk</td>
<td>travelhelp <a href="mailto:acct@mcgill.ca">acct@mcgill.ca</a></td>
<td>398-3180</td>
</tr>
<tr>
<td>Capital Projects Director</td>
<td>Christine Butler</td>
<td>398-2261</td>
</tr>
<tr>
<td>Research Financial Management Services Director</td>
<td>Elvis Coletta</td>
<td>398-5188</td>
</tr>
</tbody>
</table>

### 1. FY17 Year-End Contacts (Cont’d)

<table>
<thead>
<tr>
<th>POSITION</th>
<th>CONTACT</th>
<th>TELEPHONE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Infrastructure Director</td>
<td>Julie Ghayad</td>
<td>398-2783</td>
</tr>
<tr>
<td>Finance Security</td>
<td>Antoinette Sama</td>
<td>398-8294</td>
</tr>
<tr>
<td>Finance Help Desk</td>
<td>fishelp <a href="mailto:acct@mcgill.ca">acct@mcgill.ca</a></td>
<td>398-3463</td>
</tr>
<tr>
<td>Senior Financial Data Analyst</td>
<td>Quynh-Ly Pham</td>
<td>398-2956</td>
</tr>
<tr>
<td>Student Accounts Director,</td>
<td>Mary Jo McCullogh</td>
<td>398-2315</td>
</tr>
<tr>
<td>Student Accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procurement Services</td>
<td><a href="mailto:feedback.purchasing@mcgill.ca">feedback.purchasing@mcgill.ca</a></td>
<td></td>
</tr>
</tbody>
</table>

### Financial Services

#### 2. Year-End Memo

### 3. Year-End Cut-Off Deadlines

**1st Cut-Off**
- On-line submission of journals: Friday, May 5th

**Blackout Period**
- FGAVCQ, FGAVCD, & FGARCB will **NOT** be accessible for processing transactions from: Friday, May 5th to Monday, May 8th 9am

**2nd Cut-Off**
- On-line submission of journals: Tuesday, May 16th

### 3. Year-End Cut-Off Deadlines

(Cont'd)

**Final FY17 Close**
- Scheduled for - Tuesday, May 30th

**Year-End Audit**
- External auditors on site:
  - Year end – 1st week of July
4. Year-End Accruals and Recurring Journals

Accruals:
- Payroll
- Accounts Receivable
- Inventories
- Prepaid Expenses
- Accounts Payable
- Unearned Revenues

4. Recurring Journals

Definition:
- A journal entry that is required every quarter and/or year-end
- Example recurring journals:
  1. re-allocate certain costs
  2. charge overhead
  3. redistribute net surplus/deficits between departments

4. Year-End Accruals

Payroll – Account 200307

Bi-Weekly Payroll
- Last pay period April 28, 2017 (salaried) end date April 29, 2017
  - No accrual necessary
- Last pay period April 20, 2017 (hourly) end date April 8, 2017 (2 week lag)
  - 15 days to accrue
  - Accrual and reversal will be posted by central at the fund level before final close (approx. May 19th)
4. Year-End Accruals
Payroll – Account 200307

**Bi-Weekly Payroll**
- Salary commitments include the "accrual amount" representing the number of days worked to April 30, 2017 to be paid in Fiscal 2018
  - First pay May 12th, 2017 (salaried) and May 4th, 2017 (hourly)
  - To reflect expense in proper period, must post encumbered amount to actual column

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4. Year-End Accruals
Payroll – Account 200307

**Payroll Accrual**
- Posted after first cut-off in Period 14 with a transaction date of April 30th, 2017
- Encumbrance released by the amount of the above accrual, with a transaction date of April 30, 2017
- ME16 journal type to be used
- Reversal of accrual with transaction date of May 1, 2017 (before May closes on June 7th)

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4. Year-End Accruals
Payroll – Account 200307

**Payroll Accrual - 1A Funds**
- Don't accrue for vacation – this is done centrally
4. Year-End Accruals

Pay Equity

- No accrual or adjustments necessary at April 30, 2017

4. Payroll

Contact: HR Service Centre - local 4747 or email pops.hr@mcgill.ca

<table>
<thead>
<tr>
<th>PAY FREQUENCY</th>
<th>PAY TYPE</th>
<th>PAY PERIOD ENDING</th>
<th>PAY DATE</th>
<th>SUBMIT BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bi-Weekly</td>
<td>Casual</td>
<td>April 4</td>
<td>April 25</td>
<td>Mono. April 25</td>
</tr>
<tr>
<td>Bi-Weekly</td>
<td>Student &amp; App. Form</td>
<td>April 4</td>
<td>April 25</td>
<td>Mono. April 25</td>
</tr>
<tr>
<td>Bi-Weekly Hourly</td>
<td>Student &amp; Hourly</td>
<td>April 4</td>
<td>April 25</td>
<td>Mono. April 25</td>
</tr>
<tr>
<td>Bi-Weekly Hourly</td>
<td>Student &amp; Hourly</td>
<td>April 29</td>
<td>April 25</td>
<td>Mono. April 25</td>
</tr>
<tr>
<td>All Payroll Journals</td>
<td>Payroll Journals</td>
<td></td>
<td></td>
<td>Mono. April 25</td>
</tr>
</tbody>
</table>

4. Year-End Accruals

Accounts Receivable – Account 100046

Accounts Receivables

- Represent amounts due from external parties for goods or services rendered in the current year
  
  However...

- Payment not received as at April 30th
4. Year-End Accruals

Accounts Receivable – Account 100046

Example:
- Goods are delivered to an external customer in FY17 but cash has not been received.
- Consulting work is completed by April 30th but payment not received in FY17.

What would be the journal entry to record these transactions?
- Dr. A/R (100046)
- Cr. Revenue (xxxxxx)

4. Year-End Accruals

Inventories – Account 100103

- All items held for external resale should be recorded as inventory.
- Inventory must be valued at the lower of cost and net realizable value, i.e., what you can sell it for if lower than cost.
- Not all Faculties/Units have inventory.
- Bookstore, Dentistry, Residences, Faculty Club, Athletics DO hold inventory.
- Stationery stock in your department is NOT considered inventory.

Example:
- Residences – goods purchased for the vending machines and cafeterias that are to be sold to students.
- Dentistry – equipment purchased for students.

Journal Entry: Dr. Inventories 100103
- Cr. Purchases at Cost 700570
4. Year-End Accruals
Prepaid Expenses – Account 100111

Expenses paid in one fiscal year but which specifically relate to the operations of a future fiscal year

Example:
- Software license purchased in April 2017 covering the period of May 1, 2017 to April 30, 2018
- Course materials purchased or other fees paid for in April to be used for the Summer or Fall session

Journal Entry: Dr. Prepaid Expenses 100111
Cr. Expense 7xxxxx

4. Year-End Accruals
Prepaid Expenses

Example: In FY17, you have prepaid an expense for the total amount of $140,000 for rental of the equipment (14 month contract from March 1, 2017 – April 30, 2018). What is the correct entry to be booked in FY17 at Year-End?

Dr. Prepaid Expense (100111) $120,000
Cr. Expense (7xxxxx) $120,000

4. Year-End Accruals
Accounts Payable – Account 200008

Goods & services received from external parties prior to April 30th but not invoiced by vendor in FY17

Example:
- Equipment - Delivered in current fiscal year but not yet invoiced by vendor
- Legal Office - Services rendered by external law firm up until April 30th but not yet invoiced

What would be the journal entry to record this transaction?
4. Year-End Accruals

Accounts Payable – Account 200008 (cont’d)

Dr. Expense (7xxxxx)
Cr. A/P (200008)

Note: Accruals should be done net of taxes

4. Year-End Accruals

Unearned Revenue – Account 200086

Cash or revenues collected in advance of the delivery of the good or service

Example:
- Athletics – Annual Membership fee received for Jan to Dec 2017
- Residences – Revenue received for summer rentals

Journal Entry: Dr. Revenue 5xxxxx
Cr. Unearned Revenue 200086

4. ME Journals

- How to access and create an ME journal
- Reference #
- Why create an ME over a JE
4. Year-End Accruals and Recurring Journals

QUESTIONS

5. Variance Analysis for Financial Statement Analysis (FSA)

- Fiscal 2017 traditional 12 month fiscal year with quarters ending in July, October, January and April
- Comparatives for FY 2016 are also twelve months
5. Financial Statement Grouping – Examples of Groupings

- Knowledge base link to accessing hierarchy reports

- Each line item is driven by account types and account codes

5. Financial Statement Grouping – Line-item Specifications

### EXAMPLES OF SPECIFICATIONS FOR P&L STATEMENTS

<table>
<thead>
<tr>
<th>Line-item:</th>
<th>Line-item Specifications:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of Goods &amp; Services</td>
<td>Account type 2 is one of 5C, 5F, 5K, 5M and account code 3 = 50010</td>
</tr>
<tr>
<td>Non-Academic Salaries</td>
<td>Account type 1 = 60 and Account code 1 = 603 or account code is one of 600096, 600097</td>
</tr>
<tr>
<td>Contract Services</td>
<td>Account code 3 = 70004 OR Account code = 770027, 770060</td>
</tr>
</tbody>
</table>

5. Financial Statement Grouping – Line-item Specifications

### Revenues

**5C Sales of Goods & Services:**
- 50005 Sales of Goods & Services
- 50006 Rental Revenue
- 50007 Royalties, License Revenue
- 50008 Registration/Membership Fees
- 50010 Contract/Consulting Services Revenue
- 50057 Sponsorship Revenue
### 5. Financial Statement Grouping – Line-item Specifications

#### Salary Expenses

- **603 Admin & Support Staff Salaries**
- **6005 Admin & Support Staff Salaries**
- **60010 Support Staff Salaries**
- **900016 Managerial Salaries**
- **900019 Professional**
- **900020 Technicians**
- **900021 Clerical**
- **600022 Trades & Services**
- **60011 One-time & Casual Staff Payments**
- **800023 Overtime**
- **900024 Casual & One-time (Trades excl.)**
- **800146 Trades, Casual, Overtime Payments**
- **60028 Senior Admin & Executive Salaries**
- **600168 Senior Admin & Executive Appropriation**
- **600176 Senior Admin & Executive Stepped**
- **600171 Senior Admin & Executive Other Items**

#### Examples of Groupings

- **Building & Occupancy Costs**
  - Driven by account code hierarchy
  - 70002 – Repairs/Maintenance
  - 70003 – Renovations
  - 70026 – Rental expense
  - 70033 – Insurance
  - 70037 – Loans (spec. internal loans)
  - Includes related internal sales accounts
  - 770002 - Repairs/Maintenance Internal Sales
  - 770026 - Rental Expense Internal Sales
  - 770054 - Insurance Internal Sales
  - 770479 - Renovations Internal Sales

- **Other Non-Salary Expense**
  - Detail of major expenses included in “Other Non-Salary Expense” line item
    - Miscellaneous (70006)
    - Printing & Stationery (70004)
    - Computer Charges (70007)
    - Telephone/Equipment (70009)
    - Advertising (70023)
    - Photocopying (70010)
5. Variance Analysis – Crucial Dates for FY17

- Email request to all FFO’s will be sent out by April 7th
- Self-serve process is still in place! You still need to know which reports to use and how to refresh
- Reports are refreshable daily – you can start the analysis now!
- All responses are due Monday May 29th (i.e. this allows for 7 working days after 2nd cut-off)
- Explanations for line-items with variance of:
  - +/− $100k

5. Variance Analysis for FSA – Reports (Cont’d)

- When refreshing, you will be prompted with the following 4 queries:
  - Select Current Fiscal Year – 17
  - Select Prior Fiscal Year – 16
  - Select Org Code – see variance analysis grid
  - Select Org Level – see variance analysis grid

5. Variance Analysis Grid

<table>
<thead>
<tr>
<th>Org #</th>
<th>Org Title</th>
<th>Responsible Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>90530 - Business Services</td>
<td>John Burke</td>
</tr>
<tr>
<td>2</td>
<td>90021 - Arts</td>
<td>Nancy Prsa</td>
</tr>
<tr>
<td>3</td>
<td>90303 - Athletics</td>
<td>Rob Watt</td>
</tr>
<tr>
<td>4</td>
<td>00284 - Conservatory of Music &amp; Collaboration</td>
<td>Henry Tin</td>
</tr>
<tr>
<td>5</td>
<td>00540 - Content &amp; Collaboration</td>
<td>Steven Vieira</td>
</tr>
<tr>
<td>6</td>
<td>90022 - Continuing Education - Dean's Office</td>
<td>Rosa Pepe</td>
</tr>
<tr>
<td>7</td>
<td>90008 - Advancement Services</td>
<td>Matthew Lagace/Alan Jessup</td>
</tr>
<tr>
<td>8</td>
<td>90023 - Dentistry</td>
<td>Rosemary Cooke</td>
</tr>
<tr>
<td>9</td>
<td>90028 - Desautels Faculty of Management</td>
<td>Nina Dolea/Mark Michaud</td>
</tr>
<tr>
<td>10</td>
<td>90024 - Education</td>
<td>Daniela Frischer</td>
</tr>
<tr>
<td>11</td>
<td>90025 - Engineering</td>
<td>Leila Al Bassit</td>
</tr>
</tbody>
</table>
5. Variance Analysis - Important

Tips & Reminders

- Why do your responses matter?
  - The FSA is a 75 page document supporting the audited financial statements produced for Board of Governors (BOG)
  - The explanations you provide are verified and substantiated by our external auditors and form an integral part of the FSA which is presented to BOG
  - FSA completed for internal review by June 27th, 2017 and 1st week of July 2017 for external auditors
5. Variance Analysis - Important

Tips & Reminders

- For more examples of invalid and valid explanations, refer to "variance analysis how to" document on web.
- Quick-turnaround required – timing is critical.
- In your absence, assign a delegate to handle this query and notify us a.s.a.p.

5. Variance Analysis for FSA

QUESTIONS?

6. Endowment Matters

- Friday, March 31st, 2017 - Deadline to let Endowment Accounting know which spendable income funds you do NOT want to be capped with justification.
- Refer to Memo circulated March 14, 2017.
- Decision to not cap must be made on annual basis.
- MIP rate for FY18 is $17.53 per unit.
6. Endowment Matters

QUESTIONS?

7. RSF - Research Support Fund

- Research Support Fund Outcomes Report
  - 5 areas of priority to report on:
    - Facilities
    - Resources
    - Management & Administration
    - Regulatory Requirements
    - Intellectual Property

7. RSF

- Email sent out early April
- Responses due by May 12th
8. Important Tips

- Letters of Guarantee
  - Cleared by 2nd Cut-Off

- Manual Encumbrances

- MMP

- BAVL - NSF Override

8. Important Tips (Cont’d)

- Accrual Period 14
  - Remember to back date journal to April 30th
  - A journal initiated in Period 12 must be re-tabbed entirely to post in Period 14
  - As of April 12th, Fiscal year 18 is open therefore accruals made in FY17 can be immediately copied and reversed in FY18

- Check your approvals!

8. Important Tips (Cont’d)

- Purchase Orders
  - Ensure you review all outstanding purchase orders
  - If no longer valid, then cancel as encumbering your funds unnecessarily
9. Knowledge Base

Reference Articles

General Information on Accrual Journal Entries #3858:
http://kb.mcgill.ca/fskb/easylink/article.html?id=3858

How to process ME15/16 journals #3855
http://kb.mcgill.ca/fskb/easylink/article.html?id=3855

Copy and Reversal feature for journals #3959:
http://kb.mcgill.ca/fskb/easylink/article.html?id=3959

How to Variance Analysis
http://www.mcgill.ca/financialservices/reporting/yearendvariances

Liquidating Purchase Orders
http://kb.mcgill.ca/fskb/easylink/article.html?id=7273

QUESTIONS & COMMENTS

For your suggestions:
http://www.mcgill.ca/financialservices/feedback/