FY18 Year-End Reporting and Communication Meeting

April 6, 2018

Agenda

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

1. FY18 Year-End Contacts

Office of the Controller

Controller Myriam Bensimon 398-5999
Year End Contact Ani Kotchounian 398-8090

Financial Reporting, Endowments, Unrestricted Accounting

Financial Reporting-Unrestricted Ani Kotchounian 398-6117
Tara Wilkins 398-1308

Financial Reporting-Endowments & Restricted Alan Moskovic 398-1427

Endowment Administration Rachida Adamou Diawara 398-1513

Unrestricted Accounting Orsola Sasso 398-1513
1. FY18 Year-End Contacts

Finance Infrastructure and Transaction Services
Director Julie Ghayad 398-2783

Transaction Services
Manager, Transaction Services Tonia Sciannamblo 398-8815
Accounts Payable & Pcard Kimberley-Anu Renaud 398-1065
Banking Services Peter Guerlin 398-3353
Accounts Receivable Maria Anania 398-2311
Travel Help Desk traveldeskhelp.acct@mcgill.ca 398-3180

Finance Infrastructure
Senior Financial Analyst Quynh-Ly Pham 398-2956
Finance Security fissecurity.acct@mcgill.ca 398-8294
Finance Help Desk fishelp.acct@mcgill.ca 398-3463

Capital Projects
Manager Luana Sorella 398-2261

Research Financial Management Services
Director Elvie Coletta 398-5188

Student Accounts
Director Mary Jo McCullough 398-2315

Procurement Services feedback.purchasing@mcgill.ca
2. Year-End Memo

http://www.mcgill.ca/financialservices/resources/yearend

3. Year-End Cut-Off Deadlines

1st Cut-Off
On-line submission of journals: Monday, May 7th

Blackout Period
FGAJVCO, FGAJVCD, & FGAENC will NOT be accessible for processing transactions from: Monday, May 7th 9:00 a.m. to Tuesday, May 8th 9:00 a.m.

2nd Cut-Off
On-line submission of journals: Tuesday, May 22nd
3. Year-End Cut-Off Deadlines

Final FY18 Close
- Scheduled for – Friday, June 1st

Year-End Audit
- External auditors on site:
  1st week of July

4. Year-End Journals

Accruals:
- Payroll
- Accounts Receivable
- Inventories
- Prepaid Expenses
- Unearned Revenues
- Accounts Payable: NEW process in FY18

4. Recurring Journals

Recurring Journal Definition:
- A journal entry that is required every quarter and/or at year-end

Example recurring journals:
- re-allocate certain costs
- charge overhead
- redistribute net surplus/deficits between departments
4. Year-End Accruals
Payroll - Account 200307

Contact: Ani Kotchounian

Bi-Weekly Payroll: Accruals for FY18

<table>
<thead>
<tr>
<th>PAY TYPE</th>
<th>PAY REF</th>
<th>START DATE</th>
<th>END DATE</th>
<th>PAY DATE</th>
<th>ACCRUAL IN FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaried</td>
<td>80-10</td>
<td>April 29</td>
<td>May 12</td>
<td>May 11</td>
<td>10%</td>
</tr>
<tr>
<td>Hourly</td>
<td>82-9</td>
<td>April 08</td>
<td>April 21</td>
<td>May 17</td>
<td>60%</td>
</tr>
</tbody>
</table>

Payroll Accrual

- Last pay period for FY18 paid out in May:
  - Salaried: 1 day accrual in April → April 30
  - Hourly: 10 days accrual in April → April 9-13 & April 16-20
  - Salaried casuals: 6 days accrual in April → April 23-27 & April 30

- Posted after first cut-off in Period 14 with a transaction date of April 30, 2018
- Encumbrance released by the amount of the above accrual, with a transaction date of April 30, 2018
- ME16 journal type to be used
- Reversal of accrual with transaction date of May 1, 2018 (before May closes on June 7th)

Payroll Accrual – All Fund Types

- Do not accrue for Vacation – this is done centrally
4. Year-End Accruals

Payroll – Account 200307

Retirement

➢ Don’t accrue for retirement settlements – this is done centrally

Pay Equity

➢ Accrual and/or adjustments to be done centrally

4. Payroll Adjustments

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

The deadline for submitting payroll journals is 5:00PM FRIDAY, APRIL 13, 2018. These payroll journals must pertain to salary adjustments already booked in Banner.

<table>
<thead>
<tr>
<th>PAY FREQUENCY</th>
<th>PAY TYPE</th>
<th>PAY PERIOD</th>
<th>PAY DATE</th>
<th>SUBMIT BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bi-Weekly</td>
<td>Casual</td>
<td>April 7</td>
<td>April 19</td>
<td>Tues. April 10</td>
</tr>
<tr>
<td>Bi-Weekly</td>
<td>Student &amp; Appt Form</td>
<td>April 7</td>
<td>April 19</td>
<td>Tues. April 10</td>
</tr>
<tr>
<td>Bi-Weekly</td>
<td>Salaried &amp; Overtime</td>
<td>April 7</td>
<td>April 19</td>
<td>Tues. April 10</td>
</tr>
<tr>
<td>Bi-Weekly</td>
<td>Salaried &amp; Misc</td>
<td>April 7</td>
<td>April 19</td>
<td>Tues. April 10</td>
</tr>
<tr>
<td>Bi-Weekly</td>
<td>Salaried &amp; Overtime</td>
<td>April 28</td>
<td>April 27</td>
<td>Thurs. April 19</td>
</tr>
<tr>
<td>Bi-Weekly</td>
<td>Salaried &amp; Misc</td>
<td>April 28</td>
<td>April 27</td>
<td>Thurs. April 19</td>
</tr>
</tbody>
</table>

4. Year-End Accruals

Accounts Receivables – 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 FY18 but cash has not been received
- Consulting work is completed by April 30th but payment not received in FY18

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

Inventories – Account 100103

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.

**Examples:**
- Software license purchased in April 2018 covering the period of May 1, 2018 to April 30, 2019
- Course materials purchased or other fees paid for in April to be used for the Summer or Fall session

**Journal Entry:**

\[
\begin{align*}
\text{Dr. Prepaid Expenses 100111} & \quad \text{Cr. Expense 7xxxxx}
\end{align*}
\]

---

**Example:**

In FY18, you have prepaid an expense for the total amount of $150,000 for rental of the equipment (15 month contract from Feb. 1, 2018 – April 30, 2019). What is the correct entry to be booked in FY18 at Year-End?

\[
\begin{align*}
\text{Dr. Prepaid Expense (100111) $120,000} & \quad \text{Cr. Expense (7xxxxx) $120,000}
\end{align*}
\]

---

**Accounts Payable – Account 200008**

Accruals: **NEW**

Faculties/departments/units are no longer required to book AP accruals.

- Prior to second cutoff:
  - For invoices received in Accounts Payable (AP) with an invoice date of April 30th or prior, regardless of amount, AP will book ALL accruals via a Feed to the respective FOAPAL.
  - For invoices received in AP with an invoice date of May 1st or later, valued at $25,000 or greater before taxes, AP will review and accrue, if necessary, via a Feed to the respective FOAPAL.

If you are in possession of any invoices for goods and/or services received/rendered on or before April 30, 2018, please forward them no later than June 17th to Accounts Payable via email to accounts payable@mcgill.ca.
4. Year-End Accruals

Unearned Revenue – Account 200086

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

Examples:
- Athletics – Annual Membership fee received for calendar year Jan to Dec 2018
- 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

http://kb.mcgill.ca/kb/?ArticleId=3855&source=article&p=12&cid=6#tab:hover
tab:crumb:8:artId:3855:src:article

4. Year-End Journals & Accruals

Questions??
5. Variance Analysis

- Fiscal 2018 traditional 12 month fiscal year with quarters ending in July, October, January and April
- Comparatives for FY17 are also twelve months

5. Financial Statement Groupings

Examples of Groupings

- Knowledge base link to accessing hierarchy reports
  http://kb.mcgill.ca/ facile/easylink/article.html?id=4003
- Each line item is driven by account types and account codes
- In FY18 with the Chart of Accounts Optimization project, some revenue and non-salary account codes have been terminated. This may have an impact on your variance analysis when comparing to prior fiscal year. Please refer to the links below; dedicated section on FS website related to the Chart of Accounts:
  - revenue account codes
  - non salary account codes

5. Financial Statement Groupings

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 GC, IE, IG, IM and account code 3 = 50000</td>
</tr>
<tr>
<td>Non-Academic Salaries</td>
<td>Account type 3 - 60 Account code 1 - 605 or account code is one of 60000, 60001, 60002</td>
</tr>
<tr>
<td>Contract Services</td>
<td>Account code 3 - 70004 OR Account code - 753332, 753000</td>
</tr>
</tbody>
</table>
5. Financial Statement Groupings

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

Salary Expenses
603 Admin & Support Staff Salaries
• 6005 – Admin & Support Staff Salaries
  • 60010 – Support Staff Salaries
    • 60018 – Managerial Salaries
    • 60020 – Technicians
    • 60021 – Clerical
    • 60022 – Trades & Services
  • 60011 – One time & Casual Staff Payments
    • 60023 – Overtime
    • 60024 – Casual & One time (Trades excl.)
    • 600146 – Trades, Casual & One time Payments

Building & Occupancy Costs
Driven by account code hierarchy
• 70002 – Repairs/Maintenance
• 70003 – Renovation
• 70028 – Rental expense
• 70031 – 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
5. Financial Statement Groupings

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 FY18

- Email request to all FFO’s will be sent out on April 16th
- 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 Thursday May 31st (i.e. this allows for 7 working days after 2nd cut-off)
- Explanations for line-items with variance of:
  - +/- $100k

Reports

When refreshing, you will be prompted with the following 4 queries:

- Select Current Fiscal Year – 18
- Select Prior Fiscal Year – 17
- Select Org Code – see variance analysis grid
- Select Org Level – see variance analysis grid

Link: 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>HR</td>
<td>John Doe</td>
</tr>
<tr>
<td>2</td>
<td>IT</td>
<td>Mary Jane</td>
</tr>
<tr>
<td>3</td>
<td>Finance</td>
<td>Jane Smith</td>
</tr>
<tr>
<td>4</td>
<td>Marketing</td>
<td>John Doe</td>
</tr>
<tr>
<td>5</td>
<td>IT</td>
<td>Mary Jane</td>
</tr>
</tbody>
</table>

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 2th, 2018 and 1st week of July 2018 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 ASAP

Questions?

6. Endowment Matters

➢ Thursday, March 29th, 2018 - 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, 2018
➢ Decision to not cap must be made on annual basis
➢ MIP rate for FY19 is $17.25 per unit
6. Endowment Matters

Questions?

7. RSF- Research Support Fund

Research Support Fund Outcomes Report
5 areas of priority to report on:

• Research Facilities
• Research Resources
• Regulatory Requirements & Accreditation
• Intellectual Property
• Management & Administration

Email to be sent out April 9th, 2018

Responses due by May 11, 2018
8. Important Tips

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

- **Manual Encumbrances**

- **MMP**

- **BAVL – NSF Override**

---

8. Important Tips

- **Accrual Period 14**
  - This year, accruals for AP invoices will be done centrally via a feed processed before second cutoff to the respective FOAPAL.
  - A journal initiated in Period 12 must be re-tabbed entirely to post in Period 14.
  - As of May 8th, documents will be posted to period 14. Remember to change your local Crystal report templates to reflect period 14.

- Check your approval queues periodically!

---

8. Important Tips

- **Purchase Orders**
  - Ensure you review all outstanding purchase orders.
  - If no longer valid, cancel as funds are unnecessarily being encumbered.
9. Knowledge Base

Reference Articles

- How to Variance Analysis

- How to process ME15/16 journals #3855

- General Information on Accrual Journal Entries #3858

- Copy and Reversal feature for journals #3959

- Liquidating Purchase Orders #7273

Financial Services

QUESTIONS & COMMENTS

For your suggestions: