



WAKE FOREST
UNIVERSITY

Fiscal Year End Quick Guide

Financial Services

<http://finance.wfu.edu>

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Importance of Fiscal Year End & Accrual Accounting Process

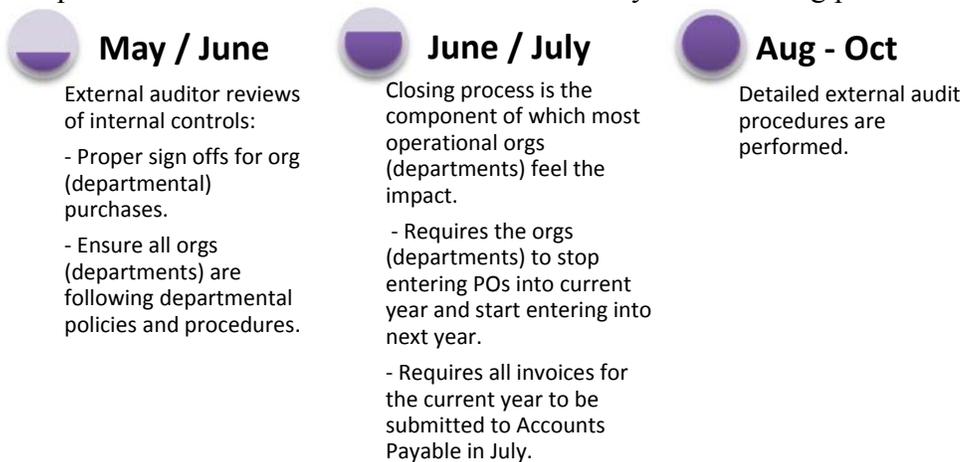
Why Do We Need a Year End Closing Process?

Wake Forest University, like all corporations, is required to have a fiscal year end close and financial audit. The audit is required by our By-Laws, compliance with the University's outstanding debt, and federal regulations.

Internal Purpose of Closing Process
<ul style="list-style-type: none"> Ensures management is being a good financial steward of University resources and fiduciary responsibilities (see glossary)
<ul style="list-style-type: none"> Provides annual evaluation of financial performance at University, fund, and org (departmental) levels
<ul style="list-style-type: none"> Provides data for a cash flow projection
<ul style="list-style-type: none"> Evaluates effectiveness and compliance of internal control systems

Wake Forest Closing Timeline

The Wake Forest fiscal year closing process takes approx. five months. Departments and financial administrators are key to the closing process.



What is GAAP?

Generally Accepted Accounting Principles, GAAP, is a common standard of accounting and reporting requirements that is prescribed by the Financial Accounting Standards Board, FASB, which is the governing body.

Wake is required to issue Financial Statements in accordance with U.S. GAAP, which requires accrual accounting. Wake Forest University financial statements can be found at:

<http://finance.wfu.edu/audited-financial-statements>

Financial Services
Quick Guide Library
finance.wfu.edu

Responsible Unit:
 Financial Services

Additional Assistance:
generalaccounting@wfu.edu

What is it?

Year-end close is a set of processes performed each year to finalize a snapshot of the University's transactional activity for an entire fiscal year (July 1 – June 30).

Why it is Necessary

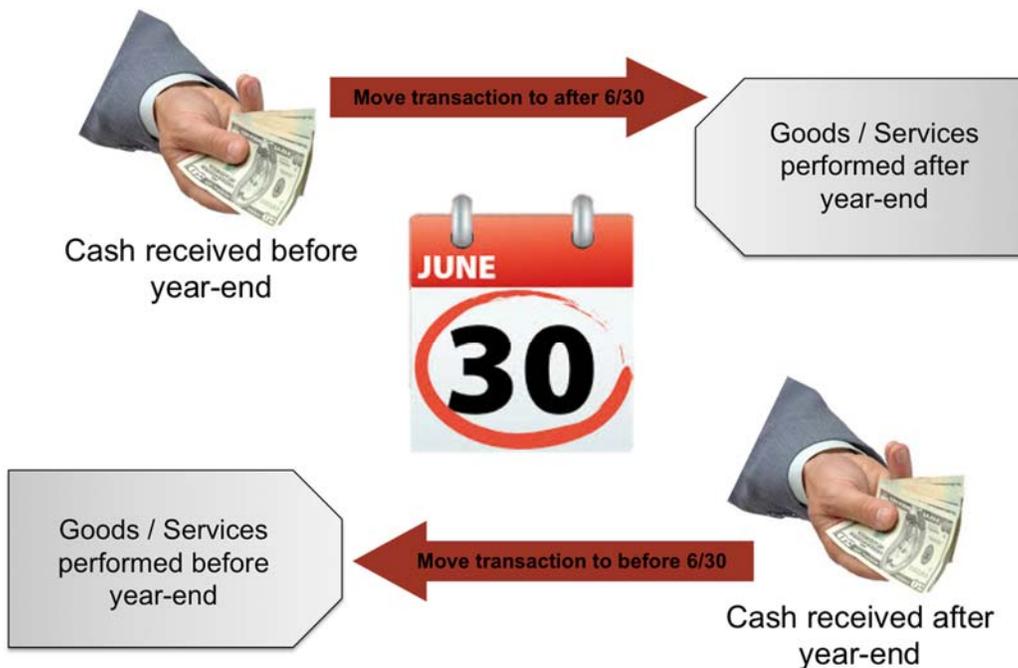
This set of processes needs to be performed annually to record ALL receipts/revenues and disbursements/expenses in the proper fiscal year.

What is Accrual Accounting?

The basic goal of accrual accounting is to match revenue and expense. This means that we must record the expenses and related revenue in the same accounting time period. Wake Forest University orgs (departments) are key to our success. We have four different types of accruals:

Accrued Receipts	When your org (department) performed a service before year-end but did not bill the organization until after year end. Since the service was performed before year end, the revenue is “earned” before year end.
Accrued Expenses	When your org (department) receives an invoice after year-end related to services and/or goods performed and/or received for your org before year-end. Since your org received the good (or service) before year end, you “owe” the vendor at year end.
Unearned or Deferred Revenues	When your org (department) receives a check / funds for payment for goods or services that your org has not provided / earned before year end. For example, your org receives student tuition for a program in June and provides the program to students in July.
Prepaid Expenses	When your org (department) prepays for goods / services before year end and the goods or service is provided to your org after year end. For example, your org pays conference registration and travel advances for a July conference in June.

Simply put, we just need to be sure activity is recorded in the proper year!



Examples that Could Apply to Your Org (Department):

A. Accrued Receipts - Has your org (department) performed a service or sent goods to an external organization prior to year-end but not billed the organization until after year-end? If so, WFU must record a receivable and the corresponding revenue. Examples include:

- Your org holds a conference held on 6/29
- Your org receives payment on 7/10



Service is provided; revenue and receivable are recorded

How should this be handled?

Campus Responsibility	Financial Services Responsibility
Complete the Deposit Accrual Form found on the Finance website for Accounts Receivable transactions.	June journal entry to record the revenue and receivable, for current FY reporting.
Deposit proceeds normally when received (use same FOAPAL as on Deposit Accrual Form).	A journal entry is posted to July of the next FY to reverse the June of current FY entry, which will cancel out with the deposit once received.



Cash is received; Receivable is reduced

B. Accrued Expense - Has your org (department) received goods and/or services prior to year-end but you have not been billed? If so, once received immediately turn the invoice into Accounts Payable. If the invoice has not been received by the 1st close, contact Accounts Payable and send the estimated amount / quote for proper current year recording.

Example one – Services
Services provided to your org (department) 6/29
Invoice Date: 7/2 (prior to AP invoice deadline)
Invoice Provided to AP: 7/3

Example two – Goods
Goods provided to your org (department) 6/27
Invoice Date: 7/7 (after AP invoice deadline)
Invoice Provided to AP: 7/10

How should this be handled?

Campus Responsibility	Financial Services Responsibility
Send approved invoices or other documentation to Accounts Payable (within established deadline).	Record the expense in June, for current FY reporting.
	Reverse the June current year journal entry in July next FY.
	Pay the vendor the full amount owed.

C. Payment - Unearned or Deferred Revenue - Has your org (department) received cash for goods and/or services that will be delivered and/or performed after year-end? If so, WFU must record deferred revenue. Examples include:

- Payment received on 6/29
- Conference held on 7/15

How should this be handled?

Campus Responsibility	Financial Services Responsibility
Deposit proceeds when received.	June journal entry to record the deferred revenue and cash receipt, for current FY reporting.
Complete the Deferred Revenue Form found on the Finance website for Accounts Receivable transactions (use same FOAPAL as deposit)	A journal entry is posted to July of next FY to reverse the June of current FY entry, and recognize the revenue in July of next FY.



Cash is received in advance; liability is recorded



D. Payment – Prepaid Expense - Has your org (department) paid for (received an invoice for) goods and/or services that will be delivered and/or performed after year-end? If so, WFU must record prepaid expenses.

- Definition: WFU pays for good or service in advance of receiving the benefit of the good or service.
- Threshold: \$25,000

Financial Services Responsibility
After invoice payment, Accounts Payable reviews each invoice over \$25,000 to determine if a portion should be reclassified to prepaid expense.
Accounts Payable prepares a journal entry to move a portion of the expense to the prepaid account.
Accounts Payable emails the invoice approver to inform them of the entry.

June 1st



Insurance purchased; record asset

Insurance Policy			
June \$500	July \$500	Aug \$500	Sept \$500
Oct \$500	Nov \$500	Dec \$500	Jan \$500
Feb \$500	Mar \$500	April \$500	May \$500
1 Year \$6,000			

June 30th

Insurance expired; Record insurance expense

Fiscal Year End (FYE) – Payroll, SFS, and Accounting & Treasury

How to Ensure Your Org (Departmental) Information Is Correct

We're all in this together! The entire campus community assists in the fiscal year-end close process by:

Report Review	Review your reports and research any unusual or incorrect items as soon as possible
Transaction Cutoff	Ensure that you follow the proper cutoff dates for transactions during June and July
Procedures	Make sure all deadlines are met and all year end procedures have been followed
Getting Help	Ask questions if help is needed

Three separate close periods, each with their own deadlines and reporting timeframes, are provided during the year-end close process. An updated FYE close calendar is provided each year. After the final close happens:

- Remaining balances on fiscal year purchase requisitions roll to the next fiscal year
- There is ongoing review of expense and revenue transactions for classification as accrual or prepaid
- The external audit is performed
- University Audited Financial Statements are issued and presented to the Board of Trustees in October

Specific Elements to Acknowledge

Journal Entries
Fill out the journal entry form completely. For assistance, please email generalaccounting@wfu.edu , call x5977, or go to the Financial Reporting webpage and click on the 'How To' tab for a link to the Journal Entry training presentation.
Include an accurate description (up to 35 characters)
Attach proper support documentation (i.e., copies of receipts, invoices, Cognos reports, etc.)
Ensure that you have proper signature authorization before sending the journal entry to Financial Services.
Projects
Project Requests (PR) must be submitted in Deacon Depot for projects being funded from current fiscal year org (departmental) funds to allow sufficient time to acquire approvals and fund the project before final year-end close. Please find more information at http://finance.wfu.edu/faculty-staff/project-management or contact the Plant Fund Accountant at x6408.

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Responsible Unit:
Financial Services:

Accounting & Treasury
Student Financial Services
Payroll

Additional Assistance:
generalaccounting@wfu.edu
sfs@wfu.edu
payroll@wfu.edu

Fixed Assets

Support for all fixed asset additions (including date placed in service and location), disposals, and transfers must be submitted to allow sufficient time for the Fixed Asset Accountant to acquire approvals and update the fixed asset records. Please find more information at <http://finance.wfu.edu/faculty-staff/asset-management> or contact the Fixed Asset Accountant at x4096.

Overspent Funds

ER and RC funds that are overspent (debit balance) as of June 30 will need to be corrected. Please check your Cognos reports to identify which of your funds are overspent. To correct overspent balances, expenses will need to be moved to either:

- Another appropriate restricted fund
- The org's (department's) operating budget

Accrued Receipts

If a service was performed by June 30th and payment has not been received by the cash deposit posting deadline, we must evaluate the documentation to determine if we need to accrue (record in a journal entry) the revenue. Please complete and submit the Deposit Accruals Form. The form with instructions can be found on the [Financial Reporting webpage](#) by clicking on the Forms tab. Manual accruals will automatically be reversed in July. Therefore, please ensure that all deposits are forwarded to the Cashier per normal procedures for processing cash receipts. Please refer to the Importance of FYE & Accrual Accounting Process section of this quick guide for more details and examples.

Unearned Revenue (Deferred Revenue)

If cash has been received prior to June 30th for a service that will not be performed until after June 30th, we must evaluate the documentation to see if we need to record the payment as deferred revenue. Please complete and submit the Deposit Revenue form. The form with instructions can be found on the [Financial Reporting webpage](#) by clicking on the Forms tab. Please refer to the Importance of FYE & Accrual Accounting Process section of this quick guide for more details and examples.

Payroll

The Salary Detail Report, which can be viewed in Cognos, is populated with each regular payroll processed and is not normally dependent upon the posting of journal entries; therefore you may review this report independent of the release of financial reports for analysis of payroll data. All payroll data, including accrual journal entries, will be reflected in the second draft financial reports. Questions concerning payroll should be directed to payroll@wfu.edu.

Financial Reporting

End user reports, summary data, and transaction detail will be available via Cognos following each close. A notification email will be sent out when all end user reports are available. The Cognos training guide/user manual can be located at [Financial Reporting | Financial Services | Wake Forest University](#) on the How To tab.

Fiscal Year End (FYE) - Procurement Services

How to Ensure Proper Processing and Recording of Deacon Depot Purchase Requests and Pcard Transactions

Review Procurement Guidelines	Procurement-related guidelines: http://finance.wfu.edu/faculty-staff/procuring-goods-and-services .
Review Deacon Depot Transactions	<ul style="list-style-type: none"> • Monitor open order reports. • Process receipts as appropriate. • Adhere to established year-end cut off dates established each fiscal year.
Review University PCard	<ul style="list-style-type: none"> • Review transaction activity dates to ensure transactions are processed in correct fiscal year. • Submit statement by the due date.
Getting Help	Contact us via the UBUY Help Line x8289 or procure@wfu.edu .

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Responsible Unit:
Procurement Services

Additional Assistance:
758.UBUY
procure@wfu.edu

Procurement Guidelines	
Purchase Order Threshold	<p>All requests over \$2500 require a PO unless they qualify as an exception per the Procurement Policy.</p> <p>After May 18, 2018 and until July 1, 2018 all purchases of goods under \$5000 should go on PCard. All services of any amount and goods over \$5000 should be direct paid.</p>
Obtaining Bids and Quotations	<ul style="list-style-type: none"> • Less than \$5000 – no quotations needed • \$5000 - \$10,000 – 2 informal, written quotations required – can be emailed • \$10,000 - \$75,000 – 3 formal, written quotations on supplier letterhead required • \$75,000 and over – Detailed, written scope, formal RFP or RFQ, managed by Procurement Services.

Deacon Depot Deadlines Established Each Fiscal Year	
New Supplier Setup Cut Off	Last day to request a new supplier setup
Purchase Requisition Cut Off	Last day to submit a purchase requisition. The “Place Order” button will be removed at 5:01 pm on this date.

Closing Purchase Orders	<p>Review encumbrance reports in Cognos. Please complete the PO/Close Cancel Form if you have a Deacon Depot PO that needs to be closed. Not closing a PO will cause it to roll over into next fiscal year!</p> <p><i>Note: PO's awaiting invoices cannot be closed to remove encumbrances until the invoice is posted.</i></p>
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University PCard Deadlines

Statement Closing Date	Date that statement is closed for the month. Typically 1 st day of each month.
Updating Transactions in Works	<p>Date that all transactions posted by the "Statement Closing Date" must be updated and statements, including appropriate documentation, submitted to Accounts Payable</p> <p><i>Note: Transactions must post in WORKS by the statement close date in order to be paid with current year funds. Simply swiping your card will not guarantee that the transaction posts same day.</i></p>

Fiscal Year End (FYE) - AP



Documentation that should be Submitted Prior to First Close

In order to ensure that your documents are posted in the first close, please submit the following document types for processing:

Invoices	<ul style="list-style-type: none">• Invoices received timely will be processed for first close and will not be accrued unless there are outstanding issues with the documentation submitted to AP.• Please be aware of the standard number of processing days for AP.
Travel and Expense Reimbursements	<ul style="list-style-type: none">• Reimbursement requests received timely will be processed for first close and will not be accrued unless there are outstanding issues with the documentation submitted to AP.• Please be aware of the standard number processing days for AP.
Advance Clearing Documentation	Make sure all deadlines are met and all year-end procedures have been followed.
Getting Help	Ask questions if help is needed. Contact AP at ap@wfu.edu .

Financial Services

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Responsible Unit:

Accounts Payable

Additional Assistance:

ap@wfu.edu

Criteria for Processing Invoices and Reimbursement Requests for Year-End

Proper supporting documentation, approvals, and business purpose must be submitted prior to processing. Please be knowledgeable of the standard number of processing days for invoices and reimbursements sent to AP. These days are defined on the Financial Services website found at [http://finance.wfu.edu/](http://finance.wfu.edu) under 'Policies and Procedures', scroll down to the 'Invoice/Reimbursement Submission to AP and Payment Schedule'.

The invoice or other documentation, if not processed as a Deacon Depot purchase order, must have proper approvals. Approval of such an invoice constitutes verification of receipt and payment is ready for processing according to supplier terms stated on the invoice.

For Deacon Depot purchases where the PO is over \$500: you must complete receiving in Deacon Depot using the actual date merchandise or services were received. If you complete receiving on a future date from when you actually received merchandise or services, you will need to override the default date in Deacon Depot.

Goods must be received and services performed no later than June 30th

- Freight on Board Shipping Point (FOB)—WFU takes ownership when the goods are placed on the dock to be shipped at the supplier's warehouse.
- Freight on Board Destination—WFU takes ownership when the goods are received by WFU.

Documentation received after the final processing deadlines may be accrued. In addition, incomplete documentation that is outstanding on the final AP deadline will be accrued according to the documentation in hand. If the documentation has been returned to the department for additional information, the amount will not be accrued unless the department returns the documentation and supplies the missing information.

Accruals

What Items May Be Accrued in AP?

- Employee reimbursements for expenses incurred no later than June 30th
- Student payments (non-payroll related)
- Outside service contractor invoices where the service has been provided by June 30th
- Supplier invoices for goods that have been received by June 30th

What Documentation is Required for An Expense to be Accrued?

- Documentation which can be submitted to request an accrual:
 - Quote
 - Requisition
 - Contract
 - Proforma Invoice
- Documentation that supports an accrual must be sent to AP by the specified date on the year-end calendar

Please Do Not Send Accrual Documentation for the Following:

- You have an open purchase order that is more than the annual accrual threshold for Deacon Depot or Facilities
 - Email ap@wfu.edu for threshold information for accruals
- You receive an invoice prior to the second departmental close

Prepays

What are the Criteria for Prepays?

- The coverage period or term period will cross fiscal years, and
- The amount of the invoice is equal to or greater than the established prepaid threshold

What are the Criteria for Prepays?

- Service Contracts
- Subscriptions
- Maintenance Agreements & Software license agreements

How Will You Know if Something is Considered Prepaid?

- Someone from Financial Services will contact you explaining:
 - The update of the account codes
 - The total amount of the invoice will be moved to prepaid, and
 - A journal entry will be prepared by FS to relieve the proper amount to prepaid monthly.

Pcard

When Will the Pcard Transactions for the July Ending Cycle Be Recorded?

- An accrual entry will be prepared for the statement ending the first of July
- The accrual will be prepared around mid-July.
- The information used to compile the accrual is the information in Works on the day the data is loaded for the accrual entry

When Should I Have My Transactions Updated?

- Works should be updated as soon as possible to ensure the most accurate data for fiscal year-end
- Each year a date will be communicated for the last updates to Works. This date is prior to the accrual entry.
- Keep in mind that Pcard Transactions can be updated in Works from anywhere you have internet access.

What if I Update Works After the Accrual Entry is Processed?

- Any changes to budget code or sales tax after the accrual entry will result in a mismatch of the reversing entry in July (offsetting June accrual entry) and the July posting of the actual Pcard upload.
- Information for the actual expense entry in July will match the information that exists in Works at the time of the actual expense entry. That entry is prepared around the last day of July through the first few days of August.

Can I Get a Journal Entry Prepared to Fix This Mismatch?

- No. Departments are given the opportunity to review their June reports prior to the final close. Any discrepancies that are not brought to our attention during that review time will not be fixed.

Fiscal Year End (FYE) – Reporting Responsibilities

Ensuring Your Financial Data is Accurate and Complete

The financial manager or his/her designated proxy or business manager is responsible for regularly reviewing the financial data for which they are in charge. This should be performed after each monthly close during the fiscal year, but is especially important at year-end to ensure that the financial data being audited and reported for the University is accurate and complete.

Getting Help

- Review the Cognos training guide/user manual located at [Financial Reporting website](#).
- Contact Financial Services for additional help.

Summary Reports

Reports to run (<i>include but are not limited to</i>)	<ul style="list-style-type: none">• Summary Operating<ul style="list-style-type: none">○ For all org (departmental) operating funds• Summary Grant<ul style="list-style-type: none">○ For all active grants• Summary Project<ul style="list-style-type: none">○ For all active projects• Summary Endowed, Designated, etc.<ul style="list-style-type: none">○ For all other active funds
Elements to Review	<ul style="list-style-type: none">• Overspending<ul style="list-style-type: none">○ Current Available to Spend column for total fund or org (department) should be a positive number or zero.○ Negative amounts = over budget• Current YTD Amounts<ul style="list-style-type: none">○ See Detail Transaction information below.• Encumbrances<ul style="list-style-type: none">○ Review for accuracy.○ See FAQ section below for how to correct inaccurate encumbrances.

**Financial Services
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Library**
finance.wfu.edu

Responsible Unit:
Financial Services
Reporting

Additional Assistance:
generalaccounting@wfu.edu

Detail Reports

Reports to Run <i>(include but are not limited to)</i>	<ul style="list-style-type: none"> • Detail Transaction <ul style="list-style-type: none"> ○ For each org (department) or fund • Detail Salary and Fringe (if applicable) • Detail Salary and Fringe Encumbrance (if applicable) • Detail Encumbrance <ul style="list-style-type: none"> ○ For all other encumbrances
Elements to Review	<ul style="list-style-type: none"> • Matching Totals <ul style="list-style-type: none"> ○ Total of detail transactions = total Current YTD on respective summary report ○ See FAQ section below for correcting inaccurate totals. • Charges belong to org (department)/fund <ul style="list-style-type: none"> ○ Review to be sure the charges displayed on your report belong to that org or fund. ○ See FAQ section below for correcting inaccurate charges. • Expected charges are displayed <ul style="list-style-type: none"> ○ Ensure that all charges that you are expecting display on the detail transaction. ○ See FAQ section below for missing charges. • Correct account codes have been used <ul style="list-style-type: none"> ○ Account codes for transactions should be accurate or reasonable. These are used to determine how the amounts are reported on University internal, external, and tax reporting. ○ Reviewing account codes helps us ensure the accuracy of our reporting.

Frequently Asked Questions

What if my budget is overspent?	<p>Any org (department) that is over budget should be reviewed with a superior or with the budget department. Any fund that is overspent should be addressed by:</p> <ul style="list-style-type: none"> • Additional funding from another source or • Moving expenses out of the fund to another appropriate fund/org with sufficient funding remaining.
What if my encumbrances are inaccurate?	<p>Follow up with Payroll/HR for any payroll related encumbrances and with Procurement for all other encumbrances.</p>
What if my totals don't match?	<p>If the totals do not tie, please first check the parameters to ensure that the report is for the same time period; if there is still an issue, please contact generalaccounting@wfu.edu.</p>
What if I have missing charges?	<p>First contact the vendor to determine if the invoice has been sent, then contact Accounts Payable at ap@wfu.edu to determine the status of the invoice and have it accrued if necessary.</p>

Glossary of Terms

Term	Definition
Accrual	Accruals are an accounting financial statement concept to reflect activity that took place in the current fiscal year and are legally owed by or to the organization but had not yet been paid or collected as of a certain date.
Encumbrance	Encumbrance accounting is a method used to avoid budget overspending. Encumbrances are funds that have been committed either for payroll expenses or are funds committed under purchase orders, or check requests issued but not yet paid. An encumbrance reserves a portion of a budget to pay for known or anticipated future expenditures. Encumbrances are important in determining funds available for expenditure (called “unencumbered” balance or “available” balance). The formula used to determine funds available is: Funds Available = Budget – Actual Activity – Encumbrances. Liquidation of encumbrances is the process of removing an encumbrance when payment is made or commitment canceled. An encumbrance is not the same as an accrued expense.
Expense	Costs incurred, whether paid or not, that support the operations and mission of the University and its related revenue-producing activities; reported as decreases to net assets.
Fiduciary Responsibility	The duty of a person or group who has care and control over the assets or other financial matters of another person or group.
Fiscal year	A 12-month period over which a company budgets its spending. WFU’s fiscal year is July 1 to June 30.
FOB Destination	Designates the seller will pay shipping costs, and remain responsible for the goods until the buyer takes possession.
FOB Shipping Point	Indicates the buyer pays shipping cost, and takes responsibility for the goods when the goods leave the seller's premises.
GAAP	An acronym for generally accepted accounting principles. These are the accounting rules in the United States used to prepare, present, and report financial statements for non-profit organizations.
Net Assets Released from Restrictions	Net assets released from restrictions are funds that are transferred to Unrestricted from Temporarily restricted accounts based upon donor stipulations being met. When donor restrictions on spending are met (typically on endowed restricted (ER) and restricted contribution (RC) funds), an amount equal to that spending is “released” from temporarily restricted net assets to unrestricted net assets. Net assets released will zero out within each fund in accounts 90061 and 90062.
Prepaid Expense	Cost paid for services in the current fiscal year that have a coverage period that extends beyond the current fiscal year.
Processing Days	The number of lead days AP has to review and process an invoice or reimbursement request.
Voucher	Entire documentation packet submitted to AP in the form of invoices or reimbursement requests.