

**A presentation by**  
**Queen's University**  
**Financial Services**

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# Financial Services

## The University's Audited Financial Statements

# Topics



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- [Part 2 - Queen's Financial Statement Preparation](#)
- [Part 3 - Year-End Adjustments](#)
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# Part 1

## Financial Services

# Overview of Queen's Financial Statements

# Overview of Queen's Financial Statements



**The university's audited financial statements** are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

**Under these accounting standards,** the financial results of the university are presented on a consolidated basis and present an overall accounting of the financial results and financial position of the institution as a whole.

## Overview (Cont'd)



**Conversely**, university budgets and internal reporting are prepared using the concepts of fund accounting.

**Under fund accounting**, activities of the institution are segregated by fund to enhance accountability and control of funds.

**These funds include** the Operating and Non-Credit funds, the Ancillary Operations fund, Research funds, the Capital fund, Trust and Endowments funds, and Agency funds.

# The Board of Trustees



**The Board of Trustees** is responsible for ensuring that the administration fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

**The Board** carries out its responsibility for review of the consolidated financial statements principally through the Audit and Risk Committee.

# The Audit and Risk Committee



**The Audit and Risk Committee** meets with the administration, as well as the internal and the external auditors, to discuss the results of audit examinations and financial reporting matters, and to satisfy itself that each party is properly discharging its responsibilities.

**The majority of the members** of the Audit and Risk Committee are not officers or employees of the university.

# The Auditors



**The internal and external auditors** have full access to the Audit and Risk Committee with and without the presence of the administration.

**The external auditors** are appointed by the Board of Trustees. The external auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the consolidated financial statements.

# The External Auditors' Responsibility



**The external auditors'** main responsibility is to express an opinion on the university's consolidated financial statements based on their audit. They conduct their audit in accordance with Canadian generally accepted auditing standards.

**Those standards require** that they comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are accurate.

## Part 2

# Financial Services

## Queen's Financial Statement Preparation

## Who's involved in the preparation?

- 5 Financial Reporting staff
- 3 General Accounting staff
- 3 Research Accounting staff
- Departments & Finance Business Officers provide supporting documentation
- Reviewed by senior Finance leadership

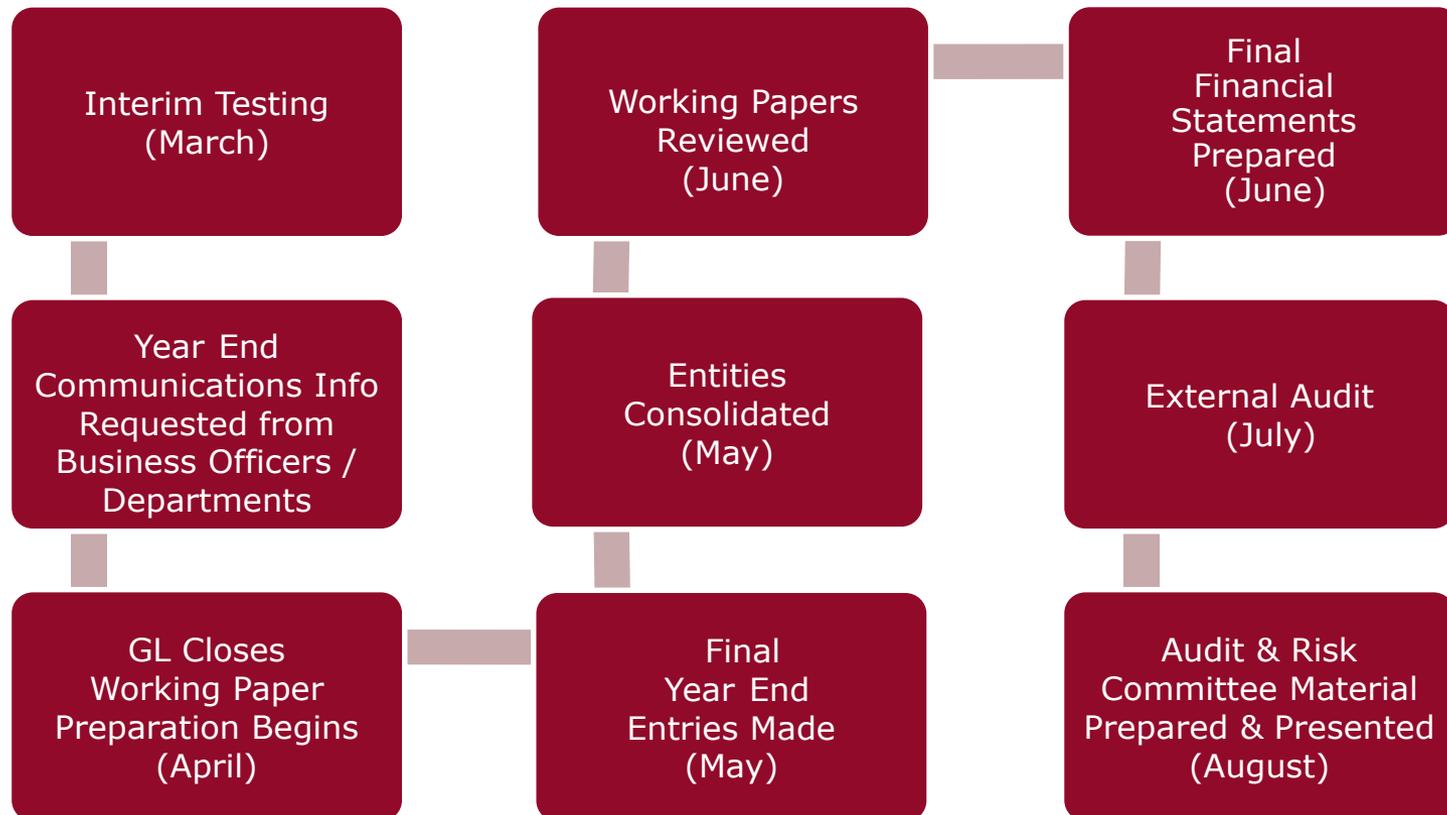
## Who approves the Financial Statements?

- Board of Trustees on recommendation of Audit & Risk Committee

## Time spent preparing the Financial Statements?

- Preparation – 1 month
- Review and revising files – 3 weeks
- External Audit – 3 weeks

# Timing of Preparation for External Audit



# Part 3

## Financial Services

### Year-End Adjustments

# Year-End Adjustments



**To ensure accurate financial results**, all revenue and expenses pertaining to the current year must be recorded in the University General Ledger by April 30th.

**Departments run their operations** on a **cash basis** (account for revenue only when the money is received and account for expenses only when the money is paid out). However, the financial statements must be prepared on an **accrual basis**.

# Year-End Adjustments (Cont'd)



**The accrual method** accounts for revenue when it is earned and expenses goods and services when they are incurred.

**The revenue** is recorded even if cash has not been received or if expenses have been incurred but no cash has yet been paid.

# Accrued Liabilities and Deferred Revenue



**Accrued Liabilities:** Expenses incurred by the university before April 30th, but the invoice has not been recorded by Financial Services as of that date.

**Deferred Revenue:** Revenue has been received and deposited before April 30th, but pertains to an event or program occurring after April 30th.

# Unrecorded Receivables



**Unrecorded Receivables:** Work or service that has been performed by Queen's before April 30th, but has not been invoiced to a party external to Queen's until after April 30th.

**In other words,** revenue is expected to be received after year-end which relates to the work or service provided before year-end.

# Materiality Threshold



**A materiality threshold** is set each year by Financial Services. What this means is, if total accrued liabilities, total deferred revenue, or total unrecorded receivables is equal to or greater than the materiality threshold, then year-end adjustments must be entered in the general ledger.

**The journal entries** are recorded centrally by Financial Services, as of April 30th, based on information received from the Business Officers.

## Part 4

# Financial Services

## The Different Reports in the Audited Financial Statements

# The Different Reports



- Management Commentary
- Statement of Administrative Responsibility
- Independent Auditors' Report
- Financial Statements:
  - Consolidated Statement of Financial Position
  - Consolidated Statement of Operations
  - Consolidated Statement of Changes in Net Assets
  - Consolidated Statement of Cash Flows
  - Notes to the Financial Statements

**The purpose** of the **Management Commentary** is to provide an overview of the fiscal year and a discussion of critical issues facing the university.

**Information** included in the commentary would include progress on significant capital projects, updates on any fundraising campaigns, as well as an overview of the changes in revenues (tuition fees, operating grants) and expenses (compensation and benefits) for the fiscal year.

# Statement of Administrative Responsibility



**The Statement of Administrative Responsibility** affirms that the administration believes the consolidated financial statements present fairly, the university's financial position and the results of its operations.

**This section** outlines administration's responsibility for the preparation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations issued by the Canadian Institute of Chartered Professional Accountants.

# Independent Auditors' Report



**The Independent Auditors' Report** outlines the scope of their audit and their opinion on the presentation of the information included in the consolidated financial statements.

**The report** also includes an evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as an evaluation of the overall presentation of the consolidated financial statements.

# Consolidated Statement of Financial Position



**The Consolidated Statement of Financial Position** provides an overview of the university's assets, liabilities, and net assets for the fiscal year as well as the prior fiscal year (for comparison).

# Consolidated Statement of Financial Position (Cont'd)



	2013 April 30	2012 April 30
<b>ASSETS</b>		
Current		
Cash	\$ 46,797	\$ 46,136
Accounts receivable (note 4)	42,131	40,457
Loans receivable (note 5)	589	1,408
Prepaid expenses	5,274	2,047
Investments (note 7)	59,309	32,506
<b>Total current assets</b>	<b>154,100</b>	<b>122,554</b>
Loans receivable (note 5)	4,078	3,739
Derivative assets (note 6)	4,803	1,484
Investments (note 7)	871,781	802,251
Capital assets (note 8)	822,147	808,336
	<b>\$ 1,856,909</b>	<b>\$ 1,738,364</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current		
Accounts payable and accrued liabilities (note 9)	\$ 84,660	\$ 89,316
Current portion of long-term debt (note 12)	6,503	6,298
Deferred revenue and contributions (note 10)	199,717	199,589
<b>Total current liabilities</b>	<b>290,880</b>	<b>295,203</b>
Derivative liabilities (note 6)	15	8
Deferred capital contributions (note 11)	352,043	329,806
Long-term debt (note 12)	214,571	220,968
Employee future benefits liability (note 16)	175,979	220,172
	<b>1,033,488</b>	<b>1,066,157</b>
<b>Net Assets</b>		
Endowments (note 13)	710,251	616,797
Internally restricted (note 14)	282,228	221,322
Unrestricted deficiency	(169,058)	(165,912)
	<b>823,421</b>	<b>672,207</b>
	<b>\$ 1,856,909</b>	<b>\$ 1,738,364</b>

# Consolidated Statement of Operations



**The Consolidated Statement of Operations** presents the revenues and expenses of the university on a consolidated basis for the fiscal year as well as the prior fiscal year (for comparison).

**The university** also provides a **Consolidated Statement of Operations by Fund** to supplement the information presented in the audited financial statements.

# Consolidated Statement of Operations (Cont'd)



	<b>2013</b>	<b>2012</b>
<b>REVENUES</b>		
Grants and contracts	\$ 356,501	\$ 364,437
Fees	233,095	214,468
Ancillary sales of service and products	77,841	72,765
Other	21,522	17,852
Amortization of deferred capital contributions (note 11)	26,676	25,587
Donations	21,496	20,757
Investment income (note 7)	62,033	27,570
	<b>799,164</b>	<b>743,436</b>
<b>EXPENSES</b>		
Salaries and benefits	433,193	424,122
Supplies and services	118,164	122,081
Amortization of capital assets	57,186	57,792
Student assistance	53,001	55,134
Externally contracted services	50,979	37,482
Utilities and insurance	20,870	18,584
Travel and conferences	16,844	16,605
Renovations and alterations	13,607	23,900
Interest on long-term debt	12,371	12,606
	<b>776,215</b>	<b>768,306</b>
<b>Excess / (Deficiency) of revenues over expenses before the undernoted</b>	<b>22,949</b>	<b>(24,870)</b>
Employee future benefits remeasurements and other items (note 16)	44,110	5,234
<b>Excess / (Deficiency) of revenues over expenses</b>	<b>\$ 67,059</b>	<b>\$ (19,636)</b>

# Consolidated Statement of Operations by Fund



(\$ thousands)	Operating	Ancillaries	Trust, Endowments & Special Purpose Funds	Research	Capital	Consolidated Entities	2013 Total
<b>REVENUE</b>							
Grants and Contracts	200,508	-	18,888	145,132	(13,320)	5,293	356,501
Fees	202,619	17,644	4,869	121	-	7,842	233,095
Ancillary sales of service and products	6,539	65,009	547	1,050	-	4,686	77,841
Other	6,875	-	8,149	2,967	444	3,087	21,522
Amortization of deferred capital contributions	-	-	-	-	25,595	1,081	26,676
Donations	10,808	-	10,595	213	1	(121)	21,496
Investment income	26,963	-	32,798	970	1,218	84	62,033
	454,312	82,653	75,846	150,453	13,938	21,962	799,164
<b>EXPENSES</b>							
Salaries and benefits	304,944	19,712	23,389	76,963	-	8,185	433,193
Supplies and services	43,385	15,984	8,884	61,219	(19,776)	8,468	118,164
Amortization of capital assets	-	-	-	-	55,350	1,836	57,186
Student assistance	30,558	-	21,857	894	-	(308)	53,001
Externally contracted services	8,428	22,549	1,847	15,757	-	2,398	50,979
Utilities and insurance	14,460	5,474	77	859	-	-	20,870
Travel and conferences	5,553	440	2,687	8,054	-	110	16,844
Renovations and alterations	1,347	5,609	609	844	4,876	322	13,607
Interest on long-term debt	-	48	-	-	12,323	-	12,371
Interfund transfers out / (in)	27,483	12,970	(1,479)	(7,088)	(31,886)	-	-
	436,158	82,786	57,871	157,502	20,887	21,011	776,215
Excess / (Deficiency) of revenues over expenses before the undernoted	18,154	(133)	17,975	(7,049)	(6,949)	951	22,949
Employee future benefits remeasurements and other items	44,110	-	-	-	-	-	44,110
<b>Excess / (Deficiency) of revenues over expenses</b>	<b>62,264</b>	<b>(133)</b>	<b>17,975</b>	<b>(7,049)</b>	<b>(6,949)</b>	<b>951</b>	<b>67,059</b>
Transfer (to) / from Internally Restricted Net Assets	(53,084)	(1,438)	(17,975)	7,049	(5,060)	303	(70,205)
(Increase) / decrease in Unrestricted Deficit	9,180	(1,571)	-	-	(12,009)	1,254	(3,146)
Unrestricted Deficit, beginning of year	(17,276)	(4,009)	-	-	(125,245)	(19,382)	(165,912)
Unrestricted Deficit, end of year	(8,096)	(5,580)	-	-	(137,254)	(18,128)	(169,058)

**Net Assets** are defined as assets less liabilities.

**The Consolidated Statement of Changes in Net Assets** provides an overview of the net assets at the beginning of the year, along with the changes throughout the year, to arrive at the net assets (or deficiency) at the end of the year.

**The changes** in net assets are shown for the current fiscal year and the previous fiscal year, in order to provide a comparison of the various changes.

# Consolidated Statement of Changes in Net Assets (Cont'd)



	Endowments	Internally Restricted	Unrestricted	Total 2013
Net assets (deficiency), beginning of year	\$ 616,797	\$ 221,322	\$ (165,912)	\$ 672,207
Excess of revenues over expenses	-	-	67,059	67,059
Change in internally restricted net assets	-	56,100	(56,100)	-
Endowment contributions (note 13)	23,972	-	-	23,972
Excess of investment earnings over endowment spending (note 13)	67,020	7,268	(14,105)	60,183
Departmental contributions and other transfers (note 13)	2,462	(2,462)	-	-
Net assets (deficiency), end of year	\$ 710,251	\$ 282,228	\$ (169,058)	\$ 823,421

	Endowments	Internally Restricted	Unrestricted	Total 2012
Net assets (deficiency), beginning of year	\$ 615,514	\$ 231,802	\$ (157,614)	\$ 689,702
Deficiency of revenues over expenses	-	-	(19,636)	(19,636)
Change in internally restricted net assets	-	(983)	983	-
Endowment contributions (note 13)	10,078	-	-	10,078
Deficiency of investment earnings over endowment spending (note 13)	(18,292)	-	5,060	(13,232)
Departmental contributions and other transfers (note 13)	9,497	(9,497)	-	-
Funding received for purchase of land	-	-	5,295	5,295
Net assets (deficiency), end of year	\$ 616,797	\$ 221,322	\$ (165,912)	\$ 672,207

# Consolidated Statement of Cash Flows



**The Consolidated Statement of Cash Flows** provides a summary of changes in the university's operating activities, investing activities, and financing activities to show the net increase (or decrease) in cash for the fiscal year.

**The cash flows** are shown for the current fiscal year and the previous fiscal year, in order to provide a comparison of the various changes.

# Consolidated Statement of Cash Flows (Cont'd)



	2013	2012
<b>OPERATING ACTIVITIES:</b>		
Excess / (Deficiency) of revenues over expenses	\$ 67,059	\$ (19,636)
Non-cash items:		
Amortization of deferred capital contributions	(26,676)	(25,587)
Amortization of capital assets	57,186	57,792
Change in fair value of investments and derivatives	(16,306)	18,791
Change in employee future benefits liability	(44,193)	1,380
<u>Net change in non-cash working capital (note 15)</u>	<u>(9,429)</u>	<u>(9,034)</u>
Cash provided by operating activities	27,641	23,706
<b>INVESTING ACTIVITIES:</b>		
Net change in loans receivable	480	(1,071)
Sale of derivative assets	-	7,352
Net change in investments (excluding changes in fair value)	(81,151)	(48,752)
Purchases of capital assets	(70,997)	(73,219)
Investment gain reported as direct increase in net assets (excluding changes in derivative fair value)	50,727	15,550
<u>Cash used in investing activities</u>	<u>(100,941)</u>	<u>(100,140)</u>
<b>FINANCING ACTIVITIES:</b>		
Repayment of long-term debt	(6,192)	(6,001)
Contributions received for capital purposes	48,913	47,089
Contributions and transfers reported as direct increase in net assets	31,240	15,373
<u>Cash provided by financing activities</u>	<u>73,961</u>	<u>56,461</u>
Net increase / (decrease) in cash	661	(19,973)
Cash, beginning of year	46,136	66,109
<u>Cash, end of year</u>	<u>\$ 46,797</u>	<u>\$ 46,136</u>

# Notes to the Financial Statements



**The Notes to the Financial Statements** comprise a review of the authority of Queen's University, as well as a summary of significant accounting policies, reporting practices, and other explanatory information.

**Examples** of these significant accounting policies would include those related to capital assets, amortization, revenue recognition, and employee benefit plans.

**Other documents** that provide additional information on the university's financial situation include:

- Annual Budget Reports
- Quarterly Financial Updates
- Rating Agency Reports

To access these reports  
and more, **visit**  
[Financial Services Publications](#)

# How may we help you today?



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