

# University System of Maryland Accounting Practice

## Preparation of interim financial statements

### General

This accounting practice document is a current guide for preparing internal-use, interim financial statements. As other projects and efforts evolve that impact financial reporting capabilities throughout the University System of Maryland, this guidance will necessarily be revised to reflect changes and developments that may mitigate or minimize the amount of effort involved relative to a certain desired level of interim financial statement accuracy or reasonableness.

Various reporting objectives dictate that the University System of Maryland prepare interim financial statements to provide information useful in assessing financial condition, trends, and preliminary operating results. Principally, these reporting objectives satisfy the needs of bond rating agencies, the Board of Regents, and internal University System management and financial staff.

The preparation of interim financial statements involves a trade-off between the effort associated with the preparation of the interim financial statements and the resulting level of overall accuracy of the System-

wide information. This accounting practice document provides standards for interim, unaudited

Interim financial statements will include only a Balance Sheet and Statement of Activities. No Statement of Cash Flows will be prepared, nor will information be collected to prepare note disclosures. Further, the financial statements will include only the financial statements of the University System of Maryland's legal entity, excluding component unit financial statements and the associated disclosures.

## **Individual financial statement items – Balance Sheet**

### **Cash and cash equivalents**

Cash with state treasurer – this amount should be the balanced reconciled to the State's RSTARS accounting system as of the balance sheet date.

Cash held by the System Office / debt trustees – this amount should be the same as that reported as of the last audited financial statement date, unadjusted

Cash associated with endowment funds - this amount should be the same as that reported as of the last audited financial statement date, unadjusted

### **Investments**

Common Trust Fund and institutional Endowments– the portion of investments associated with the Common Trust Fund should be the total amount of market value of the institution's interest in the Common Trust Fund, less the amount of cash reported as of the last audited financial statement date. In the instance where Endowment Fund activity is not routinely recorded in the institution's accounting system, the System Office will provide a summary entry reflecting the change in Endowment Fund activity for the period since the last audited financial statement date.

Other investments – should be adjusted to market value as of the Balance Sheet date if practical and cost-effective.

### **Accounts receivable**

Student accounts receivable – the amount reported should be reconciled to underlying detail of student receivables

Contract and grant receivables – should reflect the accounts receivable balance recorded in the institution's accounting system as of the Balance Sheet date. If the amount of unexpended awards is reflected as a component of Accounts Receivable (and net assets) as a result of the use of a standard sponsored program accounting methodology, this amount should be adjusted for in preparing the interim financial statements. It is not necessary to adjust recorded information in

the accounting system for the effect of distinguishing exchange and non-exchange transactions.

Other receivables – need only reflect amounts recorded in the institution’s accounting system as of the Balance Sheet date.

Allowance for doubtful accounts receivable – this amount should be the same as that reported as of the last audited financial statement date, unadjusted.

**Deferred charges and prepaid expenses** - this amount should be the same as that reported as of the last audited financial statement date, unadjusted

### **Notes receivable**

Student notes receivable – should reflect the principal balance owed the institution at the interim Balance Sheet date, reconciled to the detailed listing of amounts owed provided by the loan servicing agent.

Other notes receivable – should reflect the principal balance owed the institution at the interim Balance Sheet date, reconciled to the detailed listing of amounts owed to the institution.

Allowance for doubtful notes receivable – this amount should be the same as that reported as of the last audited financial statement date, unadjusted.

### **Capital assets**

Additions and deletions - purchases and disposals of fixed assets, including equipment, should be reflected to the extent practical. For disbursements using proceeds of System-wide debt or State general obligation debt, institutions should consider the use of simplifying assumptions to determine the amounts to be capitalized or expensed (if this is not done in the accounting records on a routine basis in the accounting records).

Accumulated depreciation and depreciation expense – if depreciation is not routinely and automatically calculated by a fixed asset system maintained throughout the year, these amounts may be estimated based on the most recent audited financial statements.

### **Inter-institutional balances**

Amounts should reflect balances as of last audited financial statement.

**Accounts payable and other accrued liabilities**

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Trade or vendor accounts payable – should reflect balance reported as of last audited financial statements

Accrued interest payable – should reflect balance reported as of last audited financial statements.

**Net assets**

Invested in capital assets, net – to be calculated as of the interim balance sheet

## **Methodology**

The intention is to make preparation of interim financial statements as automated and free of manual adjustment as possible. Based on the above, the following would be the general methodology:

1. record adjustments reflected in prior years audited financial statements to adjust beginning net assets to that reported as