

## **Exhibit J1 and Exhibit J2 – Financial Statement Reconciliation**

The Exhibit J1 (Statement of Net Position Reconciliation) and Exhibit J2 (Statement of Revenues, Expenditures, and Changes in Net Position Reconciliation) are used by departments or institutions of higher education (IHE) that are required to or choose to prepare separately issued financial statements. The Exhibits J and the financial statements are due to the OSC by the date published in the Open/Close calendar. The financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flows, and the related footnotes. The Exhibits J, in conjunction with the Exhibit I and copies of the departments or IHE's financial statements and related notes, are used:

- To reconcile the department/IHE's financial statements per the State of Colorado's book of record (CORE) to the department/IHE's separately issued financial statements,
- To provide assurance to the State Controller that the department/IHE financial statements properly accumulate CORE accounts in the format of the State ACFR financial statement line items,
- As a basis for state department/IHE compliance with the statutory requirement to obtain the State Controller's examination and approval all financial statements and reports of state government prior to publication, Section 24-30-201(1)(d), C.R.S. and Colorado Fiscal Rule 8-1 Financial Statements, and,
- To document department compliance with Section 24-30-204, C.R.S, requiring that financial statements be submitted to the State Controller.

### **EXHIBITS J OVERVIEW:**

The Exhibits J provide a structured reconciliation format. The top portion of the Exhibits provide a side by side layout of the ACFR financial statement rows and the department/IHE financial statement rows. The financial statement rows are grouped by financial statement section (i.e. current assets, noncurrent assets, current liabilities, etc. for the Statement of Net Position and operating revenues, operating expenses, etc. for the Statement of Changes). Additionally, the top portion of the Exhibits includes columns for summarizing reconciliation items and calculating the row variances between the statements. The bottom portion of the Exhibits provide a table for inputting reconciliation items which account for the differences between the ACFR financial statement rows and the department/IHE financial statement rows. After the reconciliation items are entered into the bottom portion of the Exhibits, formulas in the top financial statement portion of the Exhibits will pull the reconciliation amounts into the appropriate rows to resolve the variances.

The Exhibits are locked with department/IHE entry allowed in designated areas. This is to ensure the structure of the worksheets is maintained.

The process for the Exhibits J is as follows:

- The department/IHE runs the InfoAdvantage J-Rec Detail Report (InfoAdvantage report). There are two reports, “J-Rec Detail Report – Enterprise” and “J-Rec Detail Report – Governmental”, both of which are located in Statewide Reports\ACFR\ IA folder.
- To run the reports, click the refresh icon and select 2023 as the Fiscal Year and 16 as the accounting period. Next select the Fund Category, such as E100 for Higher Education Funds, and then select the Department, Funds, Excluded Funds as necessary. For consistency between departments it is recommended that financial statement signage be selected when running the report.

\* Required prompts

- The department/IHE copies the J-Rec Detail Report financial statement information into the ‘CORE Inputs’ tab in their Exhibit J workbook. This will automatically update the OSC-ACFR Info on the left side of the Exhibit J1 and Exhibit J2 tabs. The department/IHE then enters the “CORE Info as of Date:” on the Exhibits J to reflect when the InfoAdvantage information was produced.
- The department/IHE enters their financial statement information on the right side of the top portion of the Exhibits (See STAND-ALONE FINANCIAL STATEMENT ENTRY: below).
- The department/IHE enters reconciliation items in the bottom portion of the Exhibits (See RECONCILIATION ITEM ENTRY: below) to resolve the variances between financial statement rows.
- The department/IHE emails the Exhibits and the J-Rec Detail Report used for the reconciliation to the OSC.

- The OSC reviews the Exhibits. After this review, the OSC may request the department/IHE post entries to CORE. In addition, if there are mapping issues, whereby feeder system accounts are not feeding to the appropriate CORE accounts, the OSC may request the department/IHE correct the issue in the subsequent fiscal year.

The Exhibits J must be completed and submitted by the dates outlined on the Open/Close Calendar. Departments/IHEs that issue separate financial statements must update and submit the Exhibits J as their financial statements are revised and finalized.

The Exhibit J does not eliminate the requirement that departments/IHEs reconcile CORE to their internal systems on a regular basis. Entries to correct reconciling items should be processed into CORE and/or the institution’s internal system on a timely basis throughout the year. If this procedure is followed, it should minimize the number of Exhibits J variances at year-end.

**STAND-ALONE FINANCIAL STATEMENT ENTRY:**

Below is an example of the stand-alone financial statement entry for the Operating Revenues section of the Statement of Changes.

After the department/IHE has pasted the ACFR financial statement information from the J-Rec Detail Report into the CORE Inputs tab, the Exhibit J will look like this:

CAFR Financial Statement Presentation				Stand-Alone Financial Statement Presentation		
FS Line Title	FS Amount	Recon Items	Adjusted Amt	FS Line Title	FS Amount	Variance
<b>OPERATING REVENUES</b>				<b>OPERATING REVENUES</b>		
Unemployment Insurance Premiums	-	-	-			-
Licenses and Permits	-	-	-			-
Tuition and Fees	(173,366,792)	-	(173,366,792)			(173,366,792)
Scholarship Allowance for Tuition and Fees	55,776,378	-	55,776,378			55,776,378
Sales of Goods and Services	(27,977,134)	-	(27,977,134)			(27,977,134)
Scholarship Allowance for Sales of Goods and Serv	-	-	-			-
Investment Income (Loss)	(232,917)	-	(232,917)			(232,917)
Rental Income	-	-	-			-
Gifts and Donations	-	-	-			-
Federal Grants and Contracts	(8,446,572)	-	(8,446,572)			(8,446,572)
Intergovernmental Revenue	(234,719)	-	(234,719)			(234,719)
Other	(4,441,247)	-	(4,441,247)			(4,441,247)
<b>TOTAL OPERATING REVENUES</b>	<b>(158,923,002)</b>	<b>-</b>	<b>(158,923,002)</b>	<b>TOTAL OPERATING REVENUES</b>	<b>-</b>	<b>(158,923,002)</b>

The department/IHE should identify the “best fit” match between the ACFR financial statement row and the stand-alone financial statement row (see below). In determining the “best fit” for each stand-alone financial statement row, the department/IHE should consider their account to financial statement mapping, their feeder system account to CORE account mapping, and the CORE account to ACFR financial statement mapping. The CORE account-level supporting detail of the ACFR financial statements is provided in the J-Rec Detail Report.

CAFR Financial Statement Presentation				Stand-Alone Financial Statement Presentation		
FS Line Title	FS Amount	Recon Items	Adjusted Amt	FS Line Title	FS Amount	Variance
<b>OPERATING REVENUES</b>				<b>OPERATING REVENUES</b>		
Unemployment Insurance Premiums	-	-	-			-
Licenses and Permits	-	-	-			-
Tuition and Fees	(173,366,792)	-	(173,366,792)	Student Tuition and Fees	(117,590,413)	(55,776,379)
Scholarship Allowance for Tuition and Fees	55,776,378	-	55,776,378	Fee for Service	(23,651,660)	1,087,012
Sales of Goods and Services	(27,977,134)	-	(27,977,134)	Sales and Services of Educational Departments	(147,868)	
		-		Sales and Services of Auxiliary Enterprises	(5,264,618)	
Scholarship Allowance for Sales of Goods and Serv	-	-	-			-
Investment Income (Loss)	(232,917)	-	(232,917)	Operating Interest Income	(232,917)	0
Rental Income	-	-	-			-
Gifts and Donations	-	-	-			-
Federal Grants and Contracts	(8,446,572)	-	(8,446,572)	Federal Grants and Contracts	(8,519,838)	73,266
Intergovernmental Revenue	(234,719)	-	(234,719)	Local Grants and Contracts	(234,719)	(0)
Other	(4,441,247)	-	(4,441,247)	State Grants and Contracts	(22,358,238)	21,898,999
		-		Private Grants and Contracts	(68,313)	
		-		Other Operating Revenues	(3,913,694)	
<b>TOTAL OPERATING REVENUES</b>	<b>(158,923,002)</b>	<b>-</b>	<b>(158,923,002)</b>	<b>TOTAL OPERATING REVENUES</b>	<b>(181,982,278)</b>	<b>23,059,276</b>

Below are some additional guidelines for entering stand-alone financial statement information:

- Each of the financial statement section totals (e.g. Total Operating Revenues) must reconcile to the stand-alone financial statement section totals.
- When assigning stand-alone financial statement rows to ACFR financial statement rows, as shown above, there may be one-to-one, none-to-one, or many-to-one relationships.
  - If assigning multiple stand-alone financial statement rows to a single ACFR financial statement row, push the “Add Line” button on the ACFR financial statement row. This will add a row immediately below and the formulas that calculate the variances will sum the multiple rows. To delete a previously added line, push the “Delete Line” button on the ACFR financial statement row.
- Each stand-alone financial statement row and amount must be entered once and only once. A single row on the stand-alone financial statements cannot be broken out into multiple rows at this point of entry. Likewise, multiple stand-alone financial statement rows cannot be consolidated into a single row on the Exhibits.
- The Operating Expenses sections of the IHE stand-alone Statement of Changes and the ACFR Statement of Changes use different classifications (functional vs. natural). Because of this, it is not reasonable to align each row of this section. IHEs should enter their depreciation expense row on the ACFR depreciation expense row. IHEs should then align all operating expenses (other than depreciation) with the ACFR Other Operating Expenses row.
- The names of the stand-alone financial statement rows must be unique; there cannot be rows in different sections of the statement with the same title. For example, if there is a “Federal Grants and Contracts” row in the operating revenues section and a “Federal Grants and Contracts” row in the non-operating section, change one of the titles to make them both unique, such as “Federal Grants and Contracts – Non-Operating”.

#### RECONCILIATION ITEM ENTRY:

After the stand-alone financial statement information is entered into the Exhibits, there will be variances calculated in the far right column. Departments and IHEs must resolve these variances by identifying the specific balances that are presented differently between the two statements. In

the current example, there are variances on the ACFR “Tuition and Fees” and “Scholarship Allowance...” rows:

CAFR Financial Statement Presentation				Stand-Alone Financial Statement Presentation		
FS Line Title	FS Amount	Recon Items	Adjusted Amt	FS Line Title	FS Amount	Variance
Tuition and Fees	(173,366,792)	-	(173,366,792)	Student Tuition and Fees	(117,590,413)	(55,776,379)
Scholarship Allowance for Tuition and Fees	55,776,378	-	55,776,378			55,776,378

To resolve this variance, the department/IHE will enter a reconciliation item at the bottom of the Exhibits.

Reconciliation Items			
Reported on CAFR Line	Reported on Stand-Alone FS Line	Description	Amt
Scholarship Allowance for Tuition and Fees	Student Tuition and Fees	Tuition reported net of allowance	55,776,378

Then, the Reconciliation Adjustments columns will pull the reconciliation item into the financial statement section and recalculate the variance.

CAFR Financial Statement Presentation				Stand-Alone Financial Statement Presentation		
FS Line Title	FS Amount	Recon Items	Adjusted Amt	FS Line Title	FS Amount	Variance
Tuition and Fees	(173,366,792)	55,776,378	(117,590,414)	Student Tuition and Fees	(117,590,413)	(1)
Scholarship Allowance for Tuition and Fees	55,776,378	(55,776,378)	0			0

To resolve all variances in the current example, the reconciliation items below would be entered:

Reconciliation Items			
Reported on CAFR Line	Reported on Stand-Alone FS Line	Description	Amt
Scholarship Allowance for Tuition and Fees	Student Tuition and Fees	Tuition reported net of allowance	55,776,378
Transfers-In	Sales and Services of Auxiliary Enterprises	Transfer presentation difference	(1,087,012)
Transfers-In	Federal Grants and Contracts	Transfer presentation difference	(73,266)
Transfers-In	State Grants and Contracts	Transfer presentation difference	(21,898,999)

With the reconciliation items entered, the operating revenues section now shows all variances resolved:

CAFR Financial Statement Presentation				Stand-Alone Financial Statement Presentation		
FS Line Title	FS Amount	Recon Items	Adjusted Amt	FS Line Title	FS Amount	Variance
<b>OPERATING REVENUES</b>				<b>OPERATING REVENUES</b>		
Unemployment Insurance Premiums	-	-	-			-
Licenses and Permits	-	-	-			-
Tuition and Fees	(173,366,792)	55,776,378	(117,590,414)	Student Tuition and Fees	(117,590,413)	(1)
Scholarship Allowance for Tuition and Fees	55,776,378	(55,776,378)	0			0
Sales of Goods and Services	(27,977,134)	-	(29,064,146)	Fee for Service	(23,651,660)	(0)
		(1,087,012)		Sales and Services of Educational Departments	(147,868)	
				Sales and Services of Auxiliary Enterprises	(5,264,618)	
Scholarship Allowance for Sales of Goods and Serv	-	-	-			-
Investment Income (Loss)	(232,917)	-	(232,917)	Operating Interest Income	(232,917)	0
Rental Income	-	-	-			-
Gifts and Donations	-	-	-			-
Federal Grants and Contracts	(8,446,572)	(73,266)	(8,519,838)	Federal Grants and Contracts	(8,519,838)	0
Intergovernmental Revenue	(234,719)	-	(234,719)	Local Grants and Contracts	(234,719)	(0)
Other	(4,441,247)	(21,898,999)	(26,340,246)	State Grants and Contracts	(22,358,238)	(1)
		-		Private Grants and Contracts	(68,313)	
		-		Other Operating Revenues	(3,913,694)	
<b>TOTAL OPERATING REVENUES</b>	<b>(158,923,002)</b>	<b>(23,059,277)</b>	<b>(181,982,279)</b>	<b>TOTAL OPERATING REVENUES</b>	<b>(181,982,278)</b>	<b>(1)</b>

Below are some guidelines for entering reconciliation items:

- The “Reported on ACFR Line” column must reflect the title of the ACFR financial statement line from the Exhibits.

- The “Reported on Stand-Alone FS Line” column must reflect the title of the stand-alone financial statement line from the Exhibits.
- The “Description” should be a brief description of the reason for the variance.
- The “Amt” must be entered as presented on the financial statement section above (positive or negative). The formulas in the Financial Statement Recon section above will subtract this number from the ACFR Line entered and add this amount to the Stand-Alone FS Line entered.
- Reference presentation differences (PD) from the list below when entering information in the Description area of the Reconciliation Items section of the Exhibit J1/J2. The convention of entering “PD6” to reference presentation difference No. 6 from the following list may be used. References to the list below such as “PD6” may also include additional descriptive information.

Below is a listing of established acceptable presentation differences. Use PD15 for Exhibit J preparation when PD1 thru PD14 are not applicable.

1. Changing the presentation of transfers (CORE object/revenue transfer codes 7076/9076 and 7077/9077) between the University of Colorado at Denver, Metropolitan State College of Denver, the Community College of Denver and the Auraria Higher Education Center.
2. Changing the presentation of transfers of state appropriation (CORE revenue transfer code 9090) from an operating transfer to nonoperating revenue.
3. Changing the presentation of transfers of state appropriated student financial aid awards from CCHE to the institutions (CORE revenue transfer code 9050) from an operating transfer to grant and contract revenue.
4. Eliminating offsetting intrafund receivables and payables between institutions of the same board.
5. Eliminating offsetting intrafund transfers-in and intrafund transfers-out between institutions of the same board.
6. Combining immaterial amounts from one ACFR line into another ACFR line in a like financial statement category.
7. Disaggregating private, state, and local grants and contracts from other operating revenue to aggregating with federal grants and contracts operating revenue on institutional financial statements.
8. Changing the presentation for higher education institutions’ payments to DHE for statewide indirect cost assessment (CORE transfer object code 7200) from nonoperating transfers to other operating expense (institutional support).
9. Disaggregating a ACFR financial statement line into more detailed lines within the same financial statement classification for presentation on the institutions financial statement.
10. Aggregating ACFR line items with the related line where parenthetical presentations are used instead on the institutions financial statements, such as scholarship allowances.
11. Restoring the receivable from the College Opportunity Fund and the related deferred revenue for students that confirm their attendance in summer school classes. The receivable and deferred revenue are originally recorded on CORE and then eliminated in Fund 399x for statewide financial statements. The student confirmations to which the elimination is applicable

- are those that occur within the fiscal year but after DHE’s final allocation of their appropriation between stipends and fee-for-service contracts.
12. Reclassifying balances recorded on CORE as intra or interfund transfers for the difference between the carrying value and the cash received or paid for receivables sold to another state department. The reclass will normally be to gain/loss on sale for the seller/transferor and to the appropriate expense account for the buyer/transferee.
  13. Changing the presentation of transfers related to the institutions participation in COPs for higher education COP projects from an operating transfer to an adjustment to a lease liability.
  14. Transactions between AHEC and its constituent institutions for the higher education COP projects.
  15. Other presentation difference.

**CLASSIFICATION OF NET POSITION:**

Classifications of net position in stand-alone financial statements should agree to BSAs in CORE as noted below.

Net Investment in Capital Assets	BSA 3218
Restricted for:	
Education (IHE), Other Purposes (non-IHE)	BSA 3200
Debt service	BSA 3220
Emergencies	BSA 3195
Permanent fund – Expendable	BSA 3230
Permanent fund – Nonexpendable	BSA 3240

Use BSA 3400 as the offset account when adjusting the BSAs noted above.

**SUBMISSION of EXHIBIT J**

The Exhibit J submission to the OSC should include all the following items, as applicable.

1. Exhibit J1/J2 Excel file that reconciles between CORE and the stand-alone financial statements
  - Exhibit J1/J2 must include multiple department codes if necessary to reconcile between the stand-alone financial statements and CORE, i.e. a “consolidated” Exhibit J. (Exhibit J files based on a single department code may be provided to supplement a consolidated Exhibit J.)
  - Completed NICA (Net Investment in Capital Assets) tab in the Exhibit J workbook that reconciles to the NICA amount in the stand-alone financial statements, if applicable
2. J-Rec Detail Report used to prepare the Exhibit J
3. Stand-alone financial statements used to prepare the Exhibit J. Draft versions of stand-alone financial statements are required with Exhibit J submissions.

4. Trial balance report for a non-CORE general ledger, if applicable. The trial balance report should at least include the account code, account name, and account balance. The trial balance report should balance and Excel format is preferred.
5. Crosswalk used between a non-CORE general ledger and the CORE chart-of-accounts, if applicable. The crosswalk should allow identification of where accounts and balances on the trial balance are interfaced to CORE accounts and balances.

Refer to the Fiscal Procedures Manual, Chapter 3, Section 5 for additional information related to Exhibit J submissions.