

## GUIDELINES FOR FILING FINANCIAL REPORTS

**Standard:** Document 2 – Standards for Accreditation, Standard III-A, Stability.

**Rationale:** ACCET accredited institutions and those seeking ACCET accreditation must demonstrate a record of responsible financial management with resources sufficient to maintain quality training and educational services and to complete the instruction of all enrolled participants. Periodic financial reporting, in a time frame and format specified by this policy document or Commission directive, is required to ensure timely and reliable data.

All financial information provided ACCET will be handled on a confidential and need-to-know basis; however, the information is not legally privileged and, therefore, is not protected from involuntary disclosure through subpoena or other judicial process.

### Definition of Terms

**CPA:** Either an independent certified public accountant in good standing with the American Institute of Certified Public Accountants or an independent public accountant in states that authorize such individuals to issue certified financial statements.

**Financial reports and financial reporting:** General terms referring to financial statements or any other financial information furnished by an institution.

**Financial statement:** Compiled, reviewed, or audited statements that are prepared by a CPA in accordance with Generally Accepted Accounting Principles (GAAP) and in compliance with this document.

**Title IV institution:** An institution that has been approved by the U.S. Department of Education to be eligible and certified to participate in the Title IV Federal Student Aid programs, whether or not it chooses to access those funds.

**Non-Title IV institution:** An institution not included in the definition of “Title IV institution.”

**Pro forma statement:** An income statement that projects financial conditions for future specified fiscal periods.

**Level of financial report (or financial reporting):** A term that distinguishes among: (1) internally generated financial statements prepared by the institution, (2) compiled financial statements prepared by a CPA, (3) reviewed financial statements prepared by a CPA, or (4) audited financial statements prepared by a CPA.

**Comparative financial statements:** Financial statements that compare the reported period, line-by-line, with a previous period.

## **Policy Requirements**

Providing annual financial statements to ACCET is a basic requirement for both initial applicants and accredited institutions. All accredited institutions must submit their annual financial statements by the last day of the fourth month following the close of the institution's fiscal year. Further, all institutions must demonstrate that an internal assessment is made of their financial condition at adequate intervals, not less than quarterly, to ensure timely, systematic and effective financial management by the institution.

Document 27.1 includes specific requirements for special situations such as a branch application, change of ownership/control, show cause, etc. The time frames and formats for financial reporting are outlined in this policy document.

A late fee will be imposed upon an institution that fails to submit its financials by the required due date (Refer to Document 10 – Fee Schedule). The following conditions will apply:

- The late fee will be assessed for each 30-day period, or part thereof, for which a submission is late.
- Institutions requesting extensions prior to or concurrent with the due date will be given consideration based on mitigating circumstances. (Late payment penalty fee may still apply, as determined by the Commission.)
- The late fee must accompany a late report. Late financial reports that are not accompanied by the assessed late fee will not be accepted until such fee is paid in full.
- If the late fees and financial statements have not been received within 60 days of the due date of the report, a show cause directive will be issued in accordance with this policy.

In addition to the specific instructions of this document, ACCET may, at any time and upon reasonable notice, request financial information from an institution, including audited financial statements and/or other types of reports, as necessary to: (1) update financial information submitted with a pending application, (2) satisfy an ACCET policy or procedure, or (3) determine compliance with ACCET standards.

## **Documentation Requirements**

- Financial statements submitted to ACCET must be accompanied by a signed statement by the CEO or CFO attesting to the accuracy of the information and that they fairly reflect the financial condition of the institution.
  - Financial statements must be prepared in accordance with Generally Accepted Accounting Practices (GAAP) by a CPA as defined by this document.

- Institutions required by federal or state law or regulation to provide a specified level of financial statements (e.g. audited) are required to provide the same level of financial statements to ACCET.
- In the absence of such federal or state requirements, institutions may submit compiled financial statements, unless otherwise directed by specific ACCET policy or written directive.
- Institutions must disclose in notes to the financial statement an explanation of the method utilized for recognizing tuition income. If unearned tuition is omitted from the statements, the omission must be explained in such notes.
- Institutions relying upon a third-party entity for their financial stability must submit financial statements for that entity to the same extent as if the entity were the institution itself. ACCET may require the third-party entity to formally commit itself to being responsible for all or part of the liabilities of the institution.
- Institutions engaged in activities that are not within the ACCET grant of accreditation must submit: (1) consolidated financial statements that cover both the unaccredited activities and the ACCET accredited activities and (2) a separate income statement for the ACCET accredited institution covering the same periods so that the financial success of the accredited activities can be assessed.
- Institutions restating or modifying financial statements must submit these statements accompanied by a letter explaining the changes. The statements and the letter of explanation must be prepared by a CPA and must be submitted to ACCET within ten days of the date of issuance.
- Institutions required by any other regulatory agency to provide information and/or financial assurances due to a review or audit of financial condition or financial aid administration must provide ACCET with that same information concurrent with the submission to the requesting agency.

**General Instructions:** When institutions are required to provide financial statements, the statements must: (1) be prepared on an accrual basis, and (2) include a comparison of the current period with the prior period. Financial statements must include the following elements:

- ❑ A cover letter by the CPA that prepared the financial statements.
- ❑ A signed statement by the CEO or CFO attesting to the accuracy of the information and that it fairly reflects the financial condition of the institution as represented therein.
- ❑ A balance sheet specifically stating accounts for, or sufficient notes to the statements to explain: (1) unearned tuition; (2) unpaid or past due taxes; (3) unpaid or past due tuition

refunds; (4) unpaid or past due fines/assessments levied by a public authority; and (5) judgments against the institution involving financial liability.

- ❑ An income statement.
- ❑ A statement of changes in shareholder's or owner's equity; or, in the case of a non-profit institution, changes in fund balances, including designation of restricted and unrestricted funds.
- ❑ Notes to the financial statement that are sufficient to explain the statements.

When submitting applications for specific circumstances, as noted in Document 27.1, accredited institutions are not required to submit additional financial statements if no more than six months have elapsed since the end date of the institution's last fiscal year. ACCET will examine the financial statements on file for the two most recent fiscal years and other documentation, as required. If more than 6 months have elapsed since the end date of the institution's last fiscal year, the institution must *also* submit, concurrent with the application, attested, internally generated financial statements for the fiscal year to date, current to within one month of the application due date.

**Compliance Financial Stability Issues:** The following items are representative, but not a complete listing, of issues that raise concerns relative to financial stability and compliance with ACCET standards.

**Compliance issues:**

- ❑ lower level statements than specified (audit required/compilation provided)
- ❑ financial statements not comparative (two years)
- ❑ qualified opinion expressed by a CPA
- ❑ missing or insufficient notes to the financial statements
- ❑ unearned tuition not stated under liabilities or explained in the Notes

**Stability issues:**

- ❑ intangibles or unspecified assets representing a material portion of total assets
- ❑ current or total assets/liabilities ratios less than 1:1
- ❑ past due payroll, income, or other taxes
- ❑ past due tuition refunds
- ❑ material changes in revenues or expenses compared to the preceding year
- ❑ material negative owner's and/or shareholder's equity or material negative fund balance
- ❑ material net operating losses/deficits
- ❑ inadequate reserves
- ❑ legal claims or actions that may affect the institution's financial stability

**Reminders:** An institution must ensure that it files the appropriate level of financial statement required by this document. Inaccurate, incomplete, or untimely financial reporting will delay the application process. If an institution is uncertain about its financial reporting requirements, it should contact the ACCET office.