

SPECIFIC REQUIREMENTS FOR FILING FINANCIAL REPORTS

Section I – Circumstances Requiring Submission of Financial Statements and Information

Initial Applications for Accreditation (Reference Document 4.)

Initial applicants must submit complete financial statements for the two most recently completed fiscal years. Financial statements must be submitted as compiled, reviewed, or audited statements that are prepared by an independent CPA, in accordance with generally accepted accounting principles (GAAP) and in compliance with ACCET Document 27 – Guidelines for Filing Reports.

Initial applicants with pending applications must report, within ten days of occurrence, any material negative changes that affect the financial condition of the institution. This includes any changes that were not reported on the financials submitted with the initial application for accreditation. A material negative change is one that a CPA would consider as having a material adverse effect on the financial condition of the institution.

Reminder: An institution must ensure that it files the appropriate level of financial statement required by Document 27 – Guidelines for Filing Financial Reports. Inaccurate or incomplete financial reporting will delay the application process. If an institution is uncertain about its financial reporting requirements, it should contact the ACCET office.

Reaccreditation Applications (Reference Document 4.)

Reaccreditation applicants do not need to submit 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. 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, internally generated financial statements for the fiscal year to date, current to within one month of the application due date. The statement must be signed by the CEO or CFO attesting to the accuracy of the information and that it clearly reflects the financial condition of the institution as represented therein.

Income statements for the same period as the main campus must be separately prepared and submitted for each branch of the main campus.

Reaccreditation applicants that have been approved to participate in the Alternative Financial Reporting plan, must submit financial statements prepared in accordance with Document 27 for the two most recently completed fiscal years (Reference Document 27 Addendum).

Branch Applications (Reference Documents 26 and 26.1.)

Branch applications do not need to include previously submitted financial statements. ACCET will examine the financial statements on file for the main campus for the two most recently completed fiscal years, along with the institution's submission of internally generated financial statements signed and notarized to be true and accurate to within 30 days of submission of the

application.

Auxiliary Classroom Applications (Reference Documents 26 and 26.2.)

Auxiliary classroom applications do not need to include previously submitted financial statements. ACCET will examine the financial statements for the main campus for the two most recently completed fiscal years, along with the institution's submission of internally generated financial statements signed and notarized to be true and accurate to within 30 days of submission of the application.

Title IV Applicants/Eligible Institutions

Institutions applying for initial Title IV eligibility must, concurrent with such application to the U.S. Department of Education (USDE), provide ACCET written notice of such action. Copies of financial statements furnished to USDE must accompany the notice if at a higher level or different than that submitted to ACCET. If, during the application process, the institution furnishes USDE additional financial information, the institution must concurrently furnish such additional information to ACCET. The institution must notify ACCET of any action taken by USDE on the application and must provide a copy of the Program Participation Agreement (PPA) upon becoming eligible to participate in the federal Title IV programs, within 10 days of receipt or notification.

Section II - Reporting Requirements According to the Legal Nature of the Institution

Sole Proprietorships, General Partnerships, Limited Partnerships, Limited Liability Partnerships

Sole Proprietorships/Partnerships must submit an income statement and a balance sheet prepared in accordance with guidelines provided in Document 27 for the institution. In some cases, the sole proprietor's/partners' completed federal income tax returns for the two most recently completed tax years preceding the application may be required. If the sole proprietor/partners requested an extension for filing the current year's tax return, proof of the timely requested extension to file must be furnished along with the tax returns for the two most recently completed years.

Privately Held Corporations, Limited Liability Companies

Privately Held Corporations/Limited Liability Companies must submit financial statements prepared in accordance with guidelines provided in Document 27 for the institution.

Publicly Held Corporations

Publicly Held Corporations regulated by the Federal Securities and Exchange Commission (SEC) must submit their most recent annual report filed with the SEC. If the corporation is engaged in activities other than ACCET accredited activities, it must, in addition to the annual report, submit a separately stated income statement of the ACCET accredited activities covering the same period.

Non-Profit Institutions

Non-Profit Institutions may use fund accounting practices recognized and approved by the American Institute of Certified Public Accountants. Non-profit Title IV institutions may submit

an A-133 audit in lieu of financial statements.

Alternative Financial Reporting

ACCET may grant exceptions to financial reporting to an institution seeking accreditation or reaccreditation when that institution (the licensee) stands in the position of a licensed independent contractor with another ACCET accredited institution (the licensor). Eligible institutions that elect and are approved to report under the alternative financial reporting method (see ACCET Document 27 Addendum) are required to provide comparative financial statements for the prior two years, prepared by a CPA, when the institution makes application for reaccreditation or under other circumstances as required by ACCET.

Special Case Reporting

In recognition of the complexities of the legal structure of some entities and the varied methods of doing business, ACCET may make individual exceptions to avoid unnecessary and unduly burdensome reporting. An institution seeking such an exception must submit a written request to the Executive Director of ACCET fully explaining the justification for the request.

Section III – Financial Reporting Requirements for Changes in Ownership and/or Control

1. Changes of ownership resulting in a change of control of an ACCET accredited institution (Reference; Documents 22 and 22.1.)
 - a. Transfer of stock in a corporation: The financial statements on file for the two most recently completed fiscal years will be examined. A current balance sheet must be submitted for the institution under the new ownership for a date after the change occurred, with an attestation signed by an authorized representation of the institution stating that it is true and correct to the best of his or her knowledge. The balance sheet must reflect the condition of the institution after the stock transfer.
 - b. Purchase of the assets of an institution and transferring them to another legal entity that has been in operation at least two fiscal years: The entity receiving the assets must submit its financial statements for the last two fiscal years and a current balance sheet for the institution under the new ownership for a date after the change occurred, with an attestation signed by an authorized representation of the institution stating that it is true and correct to the best of his or her knowledge. The balance sheet must reflect the condition of the receiving entity after the transfer of the purchased assets.
 - c. Purchase of the assets of the institution and transferring them to another legal entity that has been in operation less than two fiscal years: The entity receiving the assets must submit its financial statements since beginning operations and a current balance sheet for the institution under the new ownership for a date after the change occurred, with an attestation signed by an authorized representation of the institution stating that it is true and correct to the best of his or her knowledge. The balance sheet must reflect the condition of the receiving entity after the transfer of the purchased assets.

- d. Sole proprietor and/or partnership purchasing an institution or its assets: The purchaser must submit: (1) federal income tax returns for the two years preceding the purchase; and (2) a current balance sheet for the institution under the new ownership for a date after the change occurred, with an attestation signed by an authorized representation of the institution stating that it is true and correct to the best of his or her knowledge. The balance sheet must reflect the condition of the receiving entity after the purchase. If the purchaser is a partnership, each partner must provide the information stated under (1) and (2).
2. Technical changes of ownership that do not result in a change of control of an ACCET accredited institution (Reference, Documents 22 and 22.1). ACCET's policy is to recognize that tax and jurisdictional considerations may motivate a change in the legal nature of an institution without affecting the actual control of the institution. As a general rule, a transfer of ownership from one entity to another that does not in any way change the ownership of equity and voting rights will not be considered a change of control. Such instances will be assessed on a case-by-case basis.

The following cover the most common situations.

- a. Sole proprietor and/or partnership transfers the institution or its assets into a legal entity with at least a two-year operating history, and (1) the sole proprietor is the sole equity owner of the receiving entity, or (2) the partners make the transfer to the receiving entity without adjusting their respective equity ownership and rights of control: The new legal entity must submit its financial statements for the last two fiscal years and a current balance sheet for the institution under the new ownership for a date after the change occurred, with an attestation signed by an authorized representation of the institution stating that it is true and correct to the best of his or her knowledge. The balance sheet must reflect the condition of the receiving entity after the transfer.
- b. Sole proprietor and/or partnership transfers the institution or its assets into a legal entity without a two-year operating history, and (1) the sole proprietor is sole equity owner of the receiving entity, or (2) the partners make the transfer to the receiving entity without adjusting their respective ownership or rights of control: The receiving entity must submit its financial statements for the full or partial fiscal periods since the commencement of its operating history. The receiving entity must also submit a current balance sheet for the institution under the new ownership for a date after the change occurred, with an attestation signed by an authorized representation of the institution stating that it is true and correct to the best of his or her knowledge. The balance sheet must reflect the condition of the new legal entity after the transfer.
- c. A corporation transfers the assets of the institution to all of its stockholders, proportionately to their stock ownership, and the stockholders intend to jointly operate the institution as a general partnership: The partnership must submit a current balance sheet for the institution under the new ownership for a date after the change occurred, with an attestation signed by an authorized representation of the institution stating that it is true and correct to the

best of his or her knowledge. The balance sheet must reflect the condition of the receiving entity after the asset transfer.

- d. A corporation with one stockholder transfers the assets of the institution to the sole stockholder: The personal financial statements of the transferee current to within 90 days of submission of the application must be submitted. In addition, federal income tax returns of the transferee for the two years preceding the purchase must be submitted. The receiving entity must also submit a current balance sheet for the institution under the new ownership for a date after the change occurred, with an attestation signed by an authorized representation of the institution stating that it is true and correct to the best of his or her knowledge. The balance sheet must reflect the condition of the receiving entity after the asset transfer.

- e. A parent corporation of a wholly owned subsidiary transfers the institution or its assets into another wholly owned subsidiary or into itself: The receiving corporation must submit its financial statements for the last two fiscal years and a current balance sheet for the institution under the new ownership for a date after the change occurred, with an attestation signed by an authorized representation of the institution stating that it is true and correct to the best of his or her knowledge. The balance sheet must reflect the condition of the receiving entity after the transfer.