

POLICY ON FINANCIAL REPORTING AND FINANCIAL STABILITY

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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. Institutions that are eligible to participate in Title IV federal financial aid programs must meet all federal and state regulatory requirements, including those pertaining to student loan default, composite score, and 90/10 requirements in order to maintain their current eligibility to participate in Title IV programs. 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.

A. Definition of Terms:

CPA: An independent certified public accountant in good standing with the American Institute of Certified Public Accountants and/or a currently licensed independent certified public accountant.

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

Financial statements: Statements prepared in compliance with this document and in accordance with Generally Accepted Accounting Principles (US GAAP) for which a CPA has issued one of the following reports with no qualifications: (1) Independent Accountant's Compilation Report, (2) Independent Accountant's Review Report, or (3) Independent Auditor's Report.

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 a “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:

- Internally generated financial statements prepared by the institution for which no separate report by a CPA is issued;
- Financial statements for which an Independent Accountant’s Compilation Report is issued with no qualifications;
- Financial statements for which an Independent Accountant’s Review Report is issued with no qualifications; and
- Financial statements for which an Independent Auditor’s Report is issued with no qualifications.

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

B. Policy Requirements:

Providing annual financial statements to ACCET is a basic requirement for both initial applicants and accredited institutions. All accredited institutions and initial applicants with accepted applications must submit their annual financial statements by the last day of the sixth month following the close of the institutions’ 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.

Additionally, 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.

A late fee will be imposed upon an institution that fails to submit its financials by the required due date consistent with ACCET’s policy on “Late Fees and Penalties” found in

Document 10 – Fee Schedule¹. Additionally, an institution that submits financial statements and any relevant supporting information that are not in conformity with ACCET requirements or are deemed by ACCET to not represent an accurate and complete financial profile of the institution will be required to resubmit such information and/or provide additional information, which may result in additional expense and late fees for the institution.

C. Documentation Requirements:

- Financial statements submitted to ACCET must be accompanied by the ACCET Document – Annual Financial Report which is signed by the CEO, CFO, owner, or authorized employee.
- Financial statements must be prepared in accordance with this document and Generally Accepted Accounting Principles (US GAAP) for which a CPA has issued one of the following reports with no qualifications: (1) Independent Accountant’s Compilation Report, (2) Independent Accountant’s Review Report, or (3) Independent Auditor’s Report.
- 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.
- As described under Section D below, institutions must disclose in Notes to the Financial Statements an explanation of specific items in the statement, including the method utilized for recognizing tuition income and the method for recognizing unearned tuition income.

¹ LATE FEES AND PENALTIES

Late Fee for Late Reporting: A \$500 late fee will be charged an institution for the late submission of the Annual Report (Document 12) or any report directed by the Commission including, but not limited to: (1) the ASER/BASER, (2) Document 8, (3) Annual Financial Statements, (4) Interim Reports, (5) Staff Reports, and (6) applications for additional branches/auxiliary classrooms, new programs, degree granting, distance learning, and changes of ownership/control. An additional \$500 will be assessed, if the report is not received by the ACCET office for each thirty (30) day increment beyond the required submission deadline. After sixty (60) days, an institution’s accredited status will be subject to a Show-Cause directive.

Late Fee Reduction or Waiver: Any late fee must be paid by the institution in a timely manner in accordance with Document 10. An institution may request a reduction or waiver of the late fee by submitting a written Request for Special Consideration by the ACCET Accrediting Commission. The request will be considered at the next regularly scheduled meeting of the Commission. If granted by the Commission, a refund of the late fee will be made in whole or part.

- Institutions relying upon a third-party or parent/owner 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 state or federal regulatory agency to provide information and/or financial assurances due to a program review or audit of financial conditions or financial aid administration must provide ACCET with that same information concurrent with the submission to the requesting agency (e.g. required letters of credit, default prevention plans, etc.).
 - Within ten days of receipt, institutions also must provide ACCET with a copy of any notices of determinations and/or actions taken by federal or state regulatory agencies, whether preliminary or final in nature, specific to the institutions (e.g. notice of preliminary (draft) and/or official student loan default rates).
 - Certain events that may have an adverse impact on an institution that come to the attention of its management subsequent to the issuance of the institution's financial statement must be separately and timely disclosed in writing to ACCET. Such items include, but are not limited to: (1) the filing of a legal action against the institution or information on an existing legal action that is adverse in nature; (2) additional information regarding contingent liabilities that are adverse in nature; and (3) impairment of any significant asset(s); and (4) adverse information with respect to any significant debt of the institution, etc.
- D. **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 be a final version and include the following elements:
- A cover letter by the independent CPA that issued the financial statements.
 - A completed ACCET Document 12.d – Annual Financial Report which is signed by the CEO, CFO, owner, or authorized employee.

- 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 Statements as required by US GAAP. In addition, where a financial statement is prepared for which Notes to the Financial Statements are not required by US GAAP or may be omitted, such Notes must be prepared and included in the financial statement submitted under this standard. For a Title IV institution, if the Notes to the Financial Statement do not address federal compliance issues, including, but not limited to 90/10 calculations and composite scores, the institution must disclose this information and submit it concurrent with their financial statement.

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 six 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.

- E. **Compliance and 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. Institutions determined to have concerns relative to financial stability and compliance will be referred to the Financial Review Committee for follow-up review and recommendation to the Commission, as appropriate, which may include placing the institution on restrictions and reporting, issuing a show cause directive, or withdrawing or denying accreditation.

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
- cohort loan default rates which may subject the institution to loss of eligibility to participate in Title IV federal financial aid program(s).

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 statements 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.

F. Annual Financial Report

All ACCET accredited institutions and initial applicants with accepted applications must annually complete and submit Document 12.d – Annual Financial Report, including annual financial statements, by the last day of the sixth month following the close of the institutions' fiscal year. Documentation required for this submission must meet the requirements in Document 27 – Policy on Financial Reporting and Financial Stability.

Provided in Document 12.d is the Checklist and Attestation for Financial Statements that must be completed and submitted with each institution's annual financial statement.