SPECIFIC REQUIREMENTS FOR FILING FINANCIAL REPORTS

A. Circumstances Requiring Submission of Financial Statements and Information

1. 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 prepared consistent with ACCET Document 27 – Policy on Financial Reporting and Financial Stability and in accordance with Generally Accepted Accounting Principles (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.

Initial applicants with pending applications must report, within ten days of discovery or determination, 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 or which would require the CPA to withdraw, restate, or reissue a prior report.

Reminder: An institution must ensure that it files the appropriate level of financial statements required by Document 27 – Policy on Financial Reporting and Financial Stability. 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.

2. 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 six 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.

3. 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.
4. **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.

B. **Additional Financial Reporting Requirements for Title IV Applicants/Eligible Institutions:**

1. **Title IV Applicants:** 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) and Eligibility and Certification Approval Report (ECAR) upon becoming eligible to participate in the federal Title IV programs, within 10 days of receipt or notification.

2. **Title IV Eligible Institutions:** Title IV institutions must keep ACCET apprised of any actual or potential changes to their Title IV eligibility and/or changes in their financial condition which may affect that eligibility. When accredited institutions annually submit Document 12b – Annual Report & Enrollment Statistics following the conclusion of their fiscal year, they must indicate whether they are Title IV eligible. When accredited institutions apply for reaccreditation, they must affirm whether they are Title IV eligible and, if so, submit an updated copy of their PPA and ECAR with their Document 4 – Application for Accreditation. Additionally, in accordance with Document 27, institutions must provide ACCET with the timely submission of correspondence to and from USDE, including, but not limited to:

   - Draft (preliminary) and official cohort default rates as well as any notices of actions required by or imposed on the institutions as a result of these rates
   - Any default management plans required by USDE and any resulting actions and/or notices relative to the plans
   - Notice from USDE of restrictions and/or limitations placed on the institutions based on the financial conditions of the institution. (e.g. letters of credit)
   - Notice of loss of Title IV program eligibility or potential loss of program eligibility
Notice of voluntary withdrawal of Title IV participation

Notice of additional Title IV program eligibility

C. Reporting Requirements According to the Legal Nature of the Institution

1. **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.

2. **Non-Publicly Held Corporations, Limited Liability Companies:** Non-publicly Held Corporations and Limited Liability Companies must submit financial statements prepared in accordance with guidelines provided in Document 27 for the institution.

3. **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.

4. **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.

5. **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.

D. 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 or transfer of membership interest in a limited liability company:** 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, partnership, or limited liability company 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 or members of the limited liability company 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, partnership, or limited liability company 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 or members of the limited liability company 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 or as a limited liability company: The partnership or limited liability company 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 or to a limited liability company solely owned by 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, into a Single Member LLC (SMLLC) in which the parent is the sole owner, or into itself: The receiving corporation or the receiving SMLLC 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.