

ACCSC Financial Statement Requirements A Primer



Accrediting Commission of Career Schools and Colleges

Financial Statements 101

- ▶ Annual Submission
 - ▶ Within 180 Days of FYE
- ▶ Instructions for the Submission and Preparation of Financial Statements and Related Information, *Standards of Accreditation*
- ▶ Audited Only -- Reviewed and Compiled Statements are Not Accepted
- ▶ Generally Accepted Accounting Principles (GAAP)

INSTRUCTIONS FOR THE PREPARATION AND SUBMISSION OF FINANCIAL STATEMENTS AND RELATED INFORMATION

APPLICABLE STANDARD OF ACCREDITATION

Section I (C)(1), Substantive Standards, Standards of Accreditation sets forth the Commission's requirement that institutions must maintain a financial structure that is sound, with resources sufficient for proper operation of the institution and discharge of obligations to students. The annual submission of financial statements enables the Commission to monitor the compliance of accredited institutions with this requirement.

Section I (H), Rules of Process and Procedures, Standards of Accreditation sets forth ACCSC's general instructions for the submission of documents to the Commission, to include the provision that all submissions must be in an electronic format in conformance with the [Instructions for Electronic Submission](#).

The Instructions for the Preparation and Submission of Financial Statements and Related Information are intended to provide institutions and their independent accountants, advisors, or consultants who are engaged to assist in the preparation of financial statements to the Commission, with the specific requirements that institutions must meet in preparing financial statement submissions. Compliance with these instructions is the responsibility of the institution. An institution that is unable to provide financial statements in accordance with these requirements cannot provide assurance that it can fulfill its obligations to students (*Section I, Statement of Purpose, Substantive Standards, Standards of Accreditation*) and may cause the Commission to question the administrative capability of the institution.

I. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND REQUIRED DISCLOSURES:

Accredited institutions are required to submit audited financial statements that are prepared in accordance with generally accepted accounting principles (GAAP) by an independent certified public accountant licensed by the state to perform such services. Specific requirements for the presentation of financial statements are the following:

A. Method of Accounting

1. The financial statements must be prepared using the accrual-basis of accounting. Financial Statements prepared using the income tax or cash basis will not be accepted, with the exception of public institutions whose oversight authority prepares the institution's financial statements on the cash-basis of accounting and the financial statements are accepted by all other applicable regulatory agencies with oversight responsibility in this area.
2. Financial statements must be presented using a comparative format showing side-by-side information for the two most recently concluded fiscal years ended.
3. The audited financial statements submitted must include, at a minimum, a balance sheet, an income statement, a statement of cash flows, and all appropriate notes to the financial statements and must include additional disclosures as are specified in these instructions.

B. The Balance Sheet

Unless otherwise indicated below, the balance sheet must, at a minimum, disclose totals for the following categories:

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4 Primary and Necessary Components

- ▶ Balance Sheet
 - ▶ Assets and Liabilities
 - ▶ Cash/Equiv.
 - ▶ Receivables
 - ▶ Deferred Income / Unearned Tuition
 - ▶ Debt
 - ▶ Equity/Net Assets
 - ▶ Current and Total

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4 Primary and Necessary Components

- ▶ Income Statement

- ▶ Expense, income, gains, and losses

- ▶ Can be used to arrive at the net profit or loss for that time period

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4 Primary and Necessary Components

- ▶ Statement of Cashflow
 - ▶ Summarizes the movement of cash and cash equivalents (CCE) that come in and go out of a company

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4 Primary and Necessary Components

▶ Notes

- ▶ Disclose the detailed assumptions made by accountants when preparing a company's financial statements.
- ▶ The notes are essential to fully understanding these documents.

Annual Financial Report

Financial Analysis Worksheet

Calculates 2 Metrics

- ▶ Altman Z-Score
- ▶ USDE Composite Score



Annual Financial Report

Financial Analysis Worksheet

Altman Z-Score

Uses five financial ratios

- ▶ Liquidity,
- ▶ Profitability, $Z = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E$
- ▶ Leverage,
- ▶ Solvency, and
- ▶ Activity

To predict the probability of a company entering bankruptcy within two years.

Annual Financial Report

Financial Analysis Worksheet

Altman Z-Score

A = Working Capital / Total Assets

B = Retained Earning / Total Assets

C = Earning Before Interest and Taxes / Total Assets

D = Market Value of Equity / Total Liabilities

E = Sales / Total Assets

$$Z = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E$$

Annual Financial Report

Financial Analysis Worksheet

Composite Score

The U.S. Department of Education Financial Responsibility **Composite Score** measures a postsecondary institution's financial health:

Ranging from -1.0 to 3.0,

1.5 to 3.0 is “passing” - Financially Responsible

1.0-1.4 is “in the zone” - Requiring oversight

Below 1.0 is “failing” - Requires Action

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Monitoring

- ▶ FYE Monitoring vs. Reporting
- ▶ Composite Score Tripwire
- ▶ Financial Review Committee
 - ▶ Application for Accreditation
 - ▶ Financial Improvement Plan
 - ▶ MD&A
 - ▶ Budget-to-Actual Analysis



Annual Financial Report

Fiscal Year Changes

- ▶ Effective 2024, the Department required institutions to align fiscal year to tax year
- ▶ Impacts 2025 and later fiscal years.
- ▶ Creates new partial fiscal year periods for some
 - ▶ Stub audits

Annual Financial Report

What this means for ACCSC:

- ▶ ~160 Schools may Change FYE - e.g., those with June 30, September 30 fiscal year ends
- ▶ Stub audits are not being required by the Department in all cases
- ▶ ACCSC will not request Stub audits
 - ▶ But, will request if the Department requires one

Sustaining Fees

What this means for Paying ACCSC Fees:

- ▶ Sustaining Fees Due with FYE Statements
- ▶ Schools that change FYE may have to pay twice in one calendar year.
- ▶ Schools that change FYE will submit a payments using the prior full FYE statements

Example:

▶ Original FYE 6/30/25

▶ Financials & Sustaining Fee Due 12/31/25

▶ New FYE 12/31

▶ Pay Sustaining Fee 6/30/26 Using FYE 25

▶ Next Financials & Sustaining Fee Due 6/30/27

▶ ACCSC will send a reminder/Alert

▶ Schools are responsible to pay timely

Pays for
ACCSC FY
2026

6 Months

Pays for
ACCSC FY
2027

18 Months

Pays for
ACCSC FY
2028

- Due Date January 1-June 30 → Pays for Upcoming/Next Fiscal Year
- Due Date July 1-December 31 → Pays for Current Fiscal Year

Questions?

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