

**ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS**

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# **GUIDELINES & PROCEDURES FOR FILING FINANCIAL REPORTS**

**The Accrediting Council's primary purpose is to assure various publics of the educational excellence in its accredited schools. Included in its methods of assessing excellence is a review of an entity's financial status. The emphasis on financial stability, however, on the part of either the Council or the institution, should never overshadow the prime objective of the school – the education of students. Monetary exigencies should no way impair the attainment of educational goals.**

**The following Guidelines are divided into sections explaining financial requirements for annual reporting, Council applications, financial review, bankruptcy, and use of the chart of accounts, which outlines the required organization of Council financial reports.**

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## **Introduction**

Every year, each accredited institution, including main and additional campus locations, must submit the Annual Financial Report (AFR) to the Council no later than 180 days after the close of their fiscal year. The link to gain access to the AFR is located on the ACICS member portal, which can be entered from the homepage of the ACICS website ([www.acics.org](http://www.acics.org)). The ACICS member portal requires you to sign-on using your institution's login credentials. The AFR has a unique password which you will be prompted to provide when you click on the AFR link in the member portal. This password has been provided under separate cover. **Please contact your designated ACICS main contact person or [afr@acics.org](mailto:afr@acics.org) for password related inquiries.**

As part of the online AFR submission, institutions are required to prepare and submit audited financial statements. These statements must be prepared by independently certified public accountants using Generally Accepted Accounting Principles (GAAP) and Generally Accepted Auditing Standards (GAAS). They do not necessarily use the ACICS Chart of Accounts.

If you have any questions about these Guidelines, please contact [afr@acics.org](mailto:afr@acics.org) for clarification.

## **Standards for All Financial Reports**

### **Method of Accounting**

All statements are to be prepared using the accrual basis of accounting, as defined by generally accepted accounting principles. Statements using the income tax or cash basis are unacceptable for Council reporting purposes.

### **Accounting Principles**

These Guidelines are not designed or intended to conflict with or supersede accounting principles or auditing standards, regulations, and interpretations promulgated by the American Institute of Certified Public Accountants, the Financial Accounting Standards Board, or other professional accounting organizations which help to establish generally accepted accounting principles and auditing standards.

### **Changes in Fiscal Year End**

Institutions wishing to change their fiscal year end must promptly notify the Council office in writing or at [afr@acics.org](mailto:afr@acics.org). Interim financial reports may be required.

### **Confidentiality**

The Council has no statutory provision for confidentiality; however, the Council treats the financial reports submitted as confidential information.

## **Revision of Guidelines**

These Guidelines will be revised as necessary and published on the ACICS website. It is the institution's responsibility to keep informed of the latest revisions.

# Annual Financial Reports

## Instructions for Accessing the Annual Financial Report Online

The link to gain access to the AFR is located on the ACICS member portal, which can be entered from the homepage of the ACICS website ([www.acics.org](http://www.acics.org)). The ACICS member portal requires you to sign-on using your institution's login credentials. Instructions on how to submit the AFR online can be found below.

### Login

The AFR has a unique password which you will be prompted to provide when you click on the AFR link in the member portal. Type in your institution's AFR password and **press View Report in order to enter the Main Page**. Typing in your password and then pressing Enter will delete your password. This password has been previously provided to the individual listed on your last AFR as the AFR contact person, if applicable, or to your designated ACICS main contact person.

Please contact your designated ACICS main contact person or [afr@acics.org](mailto:afr@acics.org) for password related inquiries.

### AFR Main Page

Upon successful login, you will be directed to an AFR Main Page which lists all past and current AFRs by fiscal year and allows you to track the following:

- Date Available
- Submission Deadline
- Date Submitted
- Revision Status, if applicable
- Locked/ Unlocked

### DATE AVAILABLE

A new AFR will become available for editing (e.g., data entry, saving, submission) the day after the close of the fiscal year (e.g. FYE 12/31, Date Available 1/1).

### SUBMISSION DEADLINE

An AFR must be submitted no later than 180 days after the close of its fiscal year, and can be done any time between the Date Available and the Submission Deadline. Please see the section on Late Filings for explanation of fees assessed for AFRs submitted after the Submission Deadline.

### DATE SUBMITTED

This feature tracks the date an AFR is successfully submitted, which should be on or before the Submission Deadline.

## REVISION STATUS

You may request to “Unlock AFR” at any time. **There is a \$500 fee for making revisions to any section of the AFR.** After a request to unlock, a new Submission Deadline determined by the AFR administrator will appear on the AFR Main Page for that AFR.

## LOCKED/ UNLOCKED

An AFR will be in locked status unless it is available for editing. An AFR is available for editing if it has not yet been submitted timely, or has been unlocked due to an unlock request for revision.

For all unavailable/ locked AFRs, you will be able to **“View Report”** only.  
For all available/ unlocked AFRs, you will be able to **“Edit Report.”**

*It is the responsibility of the institution to track these dates and inform ACICS if there has been a change in your fiscal year end or you believe there is an error.*

## Edit Report

After clicking on “Edit Report” to access and begin completing the AFR for the recently ended fiscal year, you will be directed to a Profile page as your starting point to complete this and other sections of the AFR. On the left-hand side of your screen, you will see a menu bar for the following seven sections that comprise the AFR:

1. Profile
2. Ownership Disclosure
3. Income Statement
4. Balance Sheet
5. Disclosure
6. Audited Financial Statement Upload
7. Submit AFR

At any time, you may save your work and select the option to return to the AFR Main Page.

As part of the enhanced AFR and recordkeeping process, the Profile and Ownership Disclosure pages are prepopulated with the data we have for your institution. You will have the opportunity to contact [afr@acics.org](mailto:afr@acics.org) if the information presented is not correct; however, **you should first ensure your ACICS institution’s account contains the correct information in the member portal.** The remaining pages must be completed by manual data entry using the Helpful Hints provided below. A section will be considered incomplete unless all fields are filled in and a green check mark indicates it has been successfully completed. When sections 1 through 6 have been marked with a green check mark as completed, you will then be able to “Submit AFR.” **Clicking this button and subsequently confirming will constitute official submission of the AFR to ACICS.** A confirmation email will be sent to your ACICS primary contact once an AFR has been successfully submitted, and you should also

check to see that the “Submission Date” has been updated accordingly on the AFR Main Page.

*Once you have submitted the AFR your account will be locked, meaning you will have “View Only” access to your data but you will be unable to make any changes.* In order to make revisions to your submitted AFR, you will need to put a request in to get your user account unlocked. This can be done by clicking on a link that you will see on your AFR Main Page when your account is in a “locked” status. An email will be sent to your institution’s Primary Contact when the account has been unlocked. **As previously stated, there is a \$500 for making revisions to any section of the AFR.**

## **Required Reports**

Each institution must prepare the following reports:

1. A *Profile* that lists an institutions’ basic information;
2. *Ownership Disclosure* information that lists stockholders, names and titles of all corporate officers, and parent company information if applicable;
3. An *income statement* for **each** main and additional campus;
4. A *balance sheet* that may be consolidated or for each main and additional campus; and
5. Audited financial statements which must be prepared by independently certified public accountants using generally accepted accounting procedures and generally accepted auditing standards. They do not necessarily use the ACICS Chart of Accounts. The accounts should be uploaded as a .pdf file only in the “Upload Audited Financial Statements” section of the AFR.

Institutions are invited to submit a narrative analysis of their fiscal stability with the Annual Financial Report. It is a Council requirement that institutions provide a narrative analysis of the institution’s fiscal condition whenever “Total Educational Income,” “Net Income,” or “Stockholder’s Equity” is less than zero; “Unearned Tuition” equals zero; the current ratio is less than 1:1; or capital adjustments or any other anomalous figure appears on the income statement or balance sheet.

## **Disclosures**

The AFR also includes a mandatory section for disclosures. The Disclosure section provides space to disclose the methods used in determining the value of the inventory and the appropriate depreciation expenses. A typical inventory method is FIFO, which stands for first-in, first-out. Examples of common depreciation disclosures are straight-line (XX-XX) or ACRS (XX-XX). The XX-XX represents the range of the useful lives of assets subject to depreciation in years. The institution’s audited financial statement should be able to provide this information.

The section also asks institutions to report the total accounts receivable for students including the provision for bad debt. This information usually will be different from the amount reported on the asset section of the balance sheet. The Council will use this

information in the future to determine industry bad debt ratios which will be helpful for planning and reporting financial information.

The final requested disclosures concern capital adjustments, notes payable, and notes receivable. If you require additional space online to enter this information, please email [afr@acics.org](mailto:afr@acics.org) with a subject line of “Capital Adjustments – AFR.”

### **Late Filings**

A \$500 late fee will be charged if the AFR is received after the due date. In accordance with Section 2-1-802 of the *Accreditation Criteria*, failure to submit the AFR in a timely manner can result in the revocation of accreditation.

### **Helpful Hints for Completing the Annual Financial Report Online**

- Enter only whole dollars.
- Do not enter a minus (-) for positive values in parentheses; enter a minus (-) ONLY for valid negative numbers.
- The Annual Financial Report requires appropriate explanations if a negative amount is entered for the following values: educational revenue; net income after taxes; ending balance; and total stockholder’s equity.
- The Annual Financial Report requires appropriate explanations if the balance for “unearned tuition” is zero.

### **Capital Adjustments**

With the submission of the Annual Financial Reports, the institution must disclose any adjustments to its capital structure. Changes to the preferred stock, common stock, other equity, or other retained earnings charges line items are considered to be capital adjustments that require explanation. The disclosure should include, at a minimum:

- a. The objective of the adjustment;
- b. The type, method of payment, and amounts of capital invested, issued, or retired;
- c. Terms of the transaction, if any;
- d. The number of shares and the percentage of total outstanding shares acquired or issued, if applicable; and
- e. How the transaction changed the ownership or control structure of the corporation, if applicable.

These changes may be included in the AFR online (space permitting) or by email to [afr@acics.org](mailto:afr@acics.org) with a subject line of “Capital Adjustments AFR.”



# **Audit Guidelines**

## **General Requirements**

Financial reports are required to be audited on an annual basis. Audited financial statements are submitted as part of the Annual Financial Report, never in lieu of it. The Council understands that audited financial statements may not necessarily use the ACICS Chart of Accounts required for the Annual Financial Report.

Audited financial statements are acceptable only when they are prepared in accordance with generally accepted accounting principles, are conducted in accordance with generally accepted auditing standards, and are certified by an independent certified public accountant. The audited financial statement must include, at minimum, a balance sheet an income statement covering a twelve-month period, a statement of cash flows, a supplemental schedule with income statement for each additional campus and main campus, and all appropriate disclosures (including footnotes). Certification requires the auditor to express an opinion regarding the financial statements as a whole. Reviewed or compiled statements are insufficient and will not be accepted in lieu of audited financial reports.

## **Other Financial Statement Audits Prepared by the Institution**

Anytime an institution prepares audited financial statements, it must submit three copies to the Council. This provision requires institutions to submit audits to ACICS whenever other regulatory bodies request or compel them to submit audited financial results. This standard includes audited financial reporting to state licensing boards or to any agency or department of the U.S. Government.

## **Accounting for Non-Profit Corporations**

Those institutions which are organized as not-for-profit corporations are encouraged to report financial results using the Financial Accounting Standards Board publications regulating the preparation of audits of non-profit organizations. These standards require consistent categorization of operating accounts and funds into a consolidated statement.

## **Scope of Audit**

### **1. Institutions Under Central Corporate Ownership**

In the case of central corporate ownership of one or more institutions or subsidiaries, the institution must prepare an audit of the consolidated senior parent corporation which includes an independently certified balance sheet, a twelve-month income statement, a statement of cash flows, and full disclosures. Additionally, institutions must provide separate balance sheets and income statements as of and for the same periods as the statement prepared for the consolidated parent corporation, for the first corporate level of the institution in question and for the institution itself. No separate auditing procedures other

than those normally required by generally accepted auditing standards on the consolidated statements taken as a whole, are required for these statements. Instead, they may be included at the end of the audit and identified as “supplemental information,” as allowed by generally accepted auditing standards.

## **2. Institutions Not Under Central Corporate Ownership**

The audit must include an independently certified balance sheet, a 12-month income statement, a statement of cash flows, and full disclosures.

### **Resources Available to the Certified Public Accountant**

When auditing educational institutions, the recommendations included in professional accounting literature should be considered. Some of the more significant items are:

- a. Audits of Colleges and Universities-Industry Audit Guide – AICPA;
- b. Objectives of Financial Reporting by Non-business Organizations-Concepts Statement #4-FASB;
- c. Audits of Certain Non-Profit Organizations, including Statement of Position 78 – 10, Accounting Principles and Reporting Practices for Certain Nonprofit Organizations – AICPA;
- d. OMB Circular A-128 Audits of State and Local Governments;
- e. OMB Circular A-133 Audits of Institutions of Higher Education and Other Nonprofit Organizations; and
- f. U.S. Department of Education Audit Guide, Compliance Audits (Attestation Engagements) of the Student Financial Assistance Program at Participating Institutions.

Further assistance is available through the Council office and the staff liaisons to the Financial Review Committee.

## **Applications to the Council that Require Audits**

### **1. Applicants for Initial Grants of Accreditation (Including Additional Campus-to-Freestanding)**

Audited financial statements for the most recently completed fiscal year must be received and reviewed by Council staff and/or the Council before an evaluation visit will be conducted. It is strongly recommended that all institutions considering applying for additional campus-to-freestanding status submit the financial statements prior to starting the self-evaluation process.

### **2. Submitting an Additional Campus Application**

An institution that wishes to open an additional campus is required to submit an additional campus business plan with the Additional Campus Application. The additional campus business plan must include the following information:

- a. A projection of revenues and expenses for the additional campus prepared on a quarterly accrual basis for the proposed site's first twelve months of operations.
- b. A complete list of the cash start-up costs associated with the opening of the proposed additional location.

In addition, financial statements for the most recently completed fiscal year also must be included.

## **Institutions on Financial Review**

When the Council has concerns about the financial stability of an institution, it may direct the institution to report to the Council as follows:

1. Provide periodic financial information in the form of Quarterly financial Reports;
2. Provide Quarterly Financial Reports plus projections of future financial results in the form of a Financial Improvement Plan; and/or
3. Show cause why the institution's grant of accreditation should not be withdrawn by way of suspension for failure to evidence financial stability or to submit requested financial data by designated due date(s).

The Council reserves the right to deny an institution's application due to failure to evidence financial stability.

An institution, which either has been directed to submit Quarterly Financial Reports or a Financial Improvement Plan, or has been issued a show-cause directive, is considered to be on Financial Review. Details pertaining to each type of directive are sent to institutions as appropriate.

While on Financial Review, an institution **must obtain approval** from the Financial Review Committee before applying for inclusion of a non-main location (additional campus or learning site). In addition, an institution will be required to request permission to submit a New Program Application while under financial review in the form of a waiver.

A written request with supporting materials must be received in the Council office 25 days prior to a meeting of the Council. For further details, please email [afr@acics.org](mailto:afr@acics.org).

## **Filing For Chapter 11 Bankruptcy Protection**

The Council requires written notice of all bankruptcy filings. The institution will be directed to showcase why its grant of accreditation should not be withdrawn for financial instability and will be required to submit specific financial reports. Institutions directed to file C.P.A.-prepared financial statements while in reorganization must prepare these statements using AICPA's Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code."

## **Chart of Accounts**

This chart of accounts is intended to give member institutions specific parameters for reporting financial information to the Council. It is recommended that each institution follow this chart of accounts in its normal accounting, although it may develop a more detailed breakdown of expense items for its own purposes or other minor variations in accounting policy appropriate to its particular circumstances. In submitting financial reports (other than audits) to the Council, however, all items must be reported in the manner prescribed in this chart of accounts without addition, deletion, or adjustment of line-items.

## **Income Statement**

### **Educational Revenues**

#### **GROSS TUITION**

Total amount recorded as earned through offering complete or partial educational programs including government supported training grants or contracts exclusive of the deduction for TUITION REFUNDS and TEXTBOOK EXPENSE.

#### **GROSS CONTRACT REVENUE**

Total amount recorded as earned through offering single subject or corporate training exclusive of the deduction for TUITION REFUNDS and TEXTBOOKS EXPENSE.

## **TUITION REFUNDS**

Tuition or contract refunds applicable to the current period only. Refunds for prior years are treated as OTHER INCOME AND EXPENSE-NET.

## **TEXTBOOK EXPENSES**

If the tuition or contract price includes costs of textbooks, the incurred costs of textbooks should be deducted from GROSS TUITION and entered here. If a separate bookstore operation is maintained, it should be reported in BOOKSTORE OPERATIONS-NET. (The purpose of this manner of treating textbooks expenses is to make all ACICS institutions comparable.)

## **Educational Expenses**

### **INSTRUCTIONAL SALARIES**

Includes all salaries for deans, department chairs, instructors (full- and part-time), librarians, registrar, teacher aides, and readers; payroll taxes for related salaries; fringe benefits costs for related salaries; contract services for educational purposes and worker's compensation insurance for the entire institution.

### **INSTRUCTIONAL EXPENSES**

Includes all costs of providing the faculty with the physical supplies of instruction such as paper, pencils, equipment maintenance, computer rental (if used for instruction, any non-educational income derived from this source should be deducted), professional meetings, travel to professional meetings, instruction travel expense, field trips, all personal property taxes, other instructional expense, and library expense.

### **STUDENTS RECRUITMENT**

Includes all salaries of sales managers and admissions representatives, payroll taxes for related salaries, fringe benefits costs for related salaries, advertising (includes all media such as newspaper, Yellow Pages, radio, television, direct mail, magazine), promotional expense, sales travel expenses, catalogs and brochures, mailing and mailing lists, printing supplies, public relations expenses, advertising agency fees, sales business meeting expenses, and salesmen's licenses and bonds.

### **DEPRECIATION OF EQUIPMENT**

Allocation of costs of depreciation for all equipment used for educational purposes.

### **OCCUPANCY EXPENSES**

Includes all rent and lease charges on major facilities used for educational purposes, depreciation of such facilities, building repairs and maintenance, janitorial services and supplies, all insurance charges (except worker's compensation which is listed under Instructional Salaries), real property taxes, utilities, janitorial salaries, payroll taxes for related salaries, and fringe benefits costs for related salaries.

**ADMINISTRATIVE SALARIES**

Includes all salaries paid to financial personnel (financial aid officer, loan manager, controller, accountant, account collector), secretaries, receptionists, veterans coordinators, and clerks; payroll taxes for related salaries; and fringe benefits costs for related salaries.

**OFFICER SALARIES**

Salaries to all corporate officers who are not accounted for in other categories. Related payroll taxes and fringe benefits also should be included. If the on-site administrator is not an officer, the school director's salary should be included.

**ADMINISTRATIVE EXPENSES**

All costs appropriate to the overall function of the school not attributable to instruction and student services. Includes memberships in associations, audit and legal fees, travel and business meeting expenses, corporate auto expense, office supplies, board of directors fees, charitable contributions and donations, all scholarships, temporary help, other personnel costs, bad debt expense, and the distributive expense allocation of institutions with a central corporate office.

**STUDENT PERSONNEL SERVICES**

Includes all salaries for placement and counseling personnel, payroll taxes and fringe benefits for placement and counseling personnel, placement travel expense, testing expense, student social events, student publications costs, student government expenses, student athletic events, salaries for athletic coaches, payroll taxes for athletic coaches, fringe benefits for athletic coaches, student health services, salaries for health service personnel, payroll taxes for health service personnel, and fringe benefits for health service personnel.

**Other Income and Expenses****NET DORMITORY INCOME**

The account is to be used to report the net effect of a school dormitory operation, including both board and room. Includes board and room fees, rent, depreciation, supplies, salaries, taxes and fringe benefits, vending machine operations, repairs and maintenance on dormitory, personal and property taxes, insurance, and other items appropriate to dormitory operations.

**NET BOOKSTORE OPERATIONS INCOME**

This account is to be used to report the net effect of a bookstore operation. Includes income from sales of books, supplies and other items, cost of goods sold, and other expenses attributed to bookstore operations.

**NET INTEREST INCOME AND EXPENSE**

This account is to be used to report interest earned on assets owned by the institution and the interest expense on liabilities owed. (Perkins Loan interest should not be included here until actually received.)

**NET OTHER INCOME AND EXPENSE**

This account is to be used for any other income or expense that is not otherwise appropriate for the operating accounts listed above. For example, amortization of goodwill and organization expense, administrative fees for federal programs and dividends received, and sale of fixed assets.

**NET EXTRAORDINARY AND UNUSUAL INCOME AND EXPENSE**

An extraordinary event is both unusual (unrelated to normal course of business activities) and infrequent (not likely to recur in the foreseeable future). Items in this category would include losses due to a natural catastrophe, expropriations, or a prohibition under a newly enacted law or regulation. Gains or losses from an activity not normally associated with the activities of a school, but continued on a recurring basis, would come under this category. This category also includes disposal of a segment of a business, where there is a gain or loss on the sale of a subsidiary corporation, or a component of a business whose activities represent a separate major line of business.

**FEDERAL AND STATE INCOME TAXES**

The amount of combined federal and state income taxes paid by the institution. If the institution has tax credits from prior year's losses, the actual tax liability for the year should be listed.

## **Balance Sheet**

### **Assets**

#### **CURRENT ASSETS**

##### **CASH -UNRESTRICTED**

Cash available for immediate operational use.

##### **CASH-RESTRICTED**

Cash on hand subject to restrictions placed on it by federal programs and other restricted cash not available as of this date for operational use. (This account may not be used for Perkins Loan funds. Separate trust funds should handle this item.)

##### **ACCOUNT RECEIVABLE, STUDENTS**

This account is to contain amounts due to the school from students for all charges, including tuition, textbooks, supplies, and dormitory fees.

##### **ACCOUNTS RECEIVABLE, RELATED PARTIES**

This account contains amounts owned by subsidiaries, stockholders, management and member of their immediate families, and other parties where the party owed has the ability to significantly influence the management or operating policies of the institution.

##### **ACCOUNTS RECEIVABLE, OTHER**

This account contains amounts due to the institution that are not better classified as receivables from students or related parties.

##### **NOTES RECEIVABLE, RELATED PARTIES**

This account contains amounts owed to the institution under the same conditions as for ACCOUNTS RECEIVABLE – RELATED PARTIES, except that the funds are secured by a signed promissory note.

##### **INVENTORY-BOOKS AND SUPPLIES**

This account shall contain the cost of textbooks and supplies held for resale to students. Inventory cost methods is optional, but the method used should be reported. Schools using revolving issuance plans should value this asset annually under REVOLVING BOOK ACCOUNT.

##### **SHORT TERM INVESTMENTS**

To be used only for investments made with the intent of converting to cash in less than one year. For example: certificates of deposit, stocks, bonds and commodities.



**PREPAID EXPENSES**

Amounts paid for future services that will be absorbed as expenses during the current fiscal period.

**OTHER CURRENT ASSETS**

Only items meeting the strict definition of a current asset, i.e. convertible to cash within a year. A separate account may be created here if a school uses a system of prepaid sales commissions. All significant items should be specifically identified.

**FIXED ASSETS****BUILDINGS**

Original acquisition costs to present owner of classroom buildings and dormitories devoted to educational purposes. Appraisal value changes shall be handled in separate accounts, and the method of appraisal shall be specified. If purchased under one price, the value of land shall be entered in LAND. However, the cost of land improvements, such as parking lots, can be included in BUILDINGS since improvements are subject to depreciation. The cost of land held for future use shall be recorded in an asset account listed under OTHER ASSETS.

**ACCUMULATED DEPRECIATION – BUILDINGS**

Depreciation of BUILDINGS. Method of depreciation is optional, but method used should be disclosed.

**FURNITURE AND EQUIPMENT**

Original acquisition cost to present owner of removable furniture, fixtures, and equipment appropriate to an educational institution.

**ACCUMULATED DEPRECIATION – FURNITURE AND EQUIPMENT**

Depreciation of FURNITURE AND EQUIPMENT. Method of depreciation is optional, but method used should be disclosed.

**LAND**

Original acquisition cost to present owner of land used for educational purposes. Appraisal value changes should be handled in separate accounts, and the methods of appraisal shall be specified. The cost of land improvements, such as parking lots, can be included in BUILDINGS because such improvements are subject to depreciation. The cost of land held for future use shall be recorded in an asset account listed under OTHER ASSETS.

**OTHER FIXED ASSETS**

Original acquisition cost to present owner of fixed assets used for educational purposes not fitting the asset accounts listed above.

**ACCUMULATED DEPRECIATION-OTHER FIXED ASSETS**

**Depreciation of OTHER FIXED ASSETS. Method of depreciation is optional, but method used should be disclosed. Note: Not-for-profit corporations must depreciate fixed assets as required by FASB Statement of Position 78-10**

## **OTHER ASSETS**

### **DEPOSITS**

Amounts paid for security deposits such as utilities.

### **OTHER PREPAID EXPENSES**

Amount paid for future services that will not be absorbed as expenses during the current fiscal period. This account also may be classified as a Current Asset.

### **GOODWILL**

Goodwill should be recorded only if there is direct evidence of an actual purchase. Write-ups of estimated intangible values are to be avoided. An example of a valid recording of goodwill can occur when the purchase price exceeds true value of tangible assets acquired. Generally, goodwill purchased is judged to have a relatively short life. Therefore, it should be amortized over a period of four to five years.

### **REVOLVING BOOK ACCOUNT**

Institutions issuing and retrieving textbooks for reissue should use this account for the residual value of such textbooks.

### **SFA MATCHING FUNDS**

The institutional share of Perkins Loan matching funds should be recorded in this account. Interest income on this account should be recorded until actual cash has been received by the separate Perkins Loan Fund and disbursed to Perkins Loan Matching Fund.

### **OTHER ASSETS**

Original acquisition cost to present owner of assets judged to be in a category not fitting the asset accounts listed above. For example, land not now used but held for future use.

## **Liabilities**

### **CURRENT LIABILITIES**

#### **ACCOUNTS PAYABLE-TRADE**

Amounts owed to creditors on open account for regular operational obligations to be paid in the normal course of business operations.

#### **NOTES PAYABLE-EQUIPMENT**

Amounts owed to creditors under promissory notes for equipment purchased under installment contracts and due within the next operating period.

#### **NOTES PAYABLE –OTHER**

Amounts owed to creditors under promissory notes for other than equipment and due within the next operating period.

**TUITION REFUNDS PAYABLE**

Amounts owed to a withdrawn student for unused tuition and other charges in accordance with the institution's refund policy which must comply with the tuition refund policy as stated in the Accreditation Criteria.

**CURRENT PORTION- LONG-TERM DEBT**

Amount of long-term liabilities owed within current fiscal year. For example, annual serial payoffs of a mortgage or long-term note payable.

**PAYROLL TAXES PAYABLE**

Amounts owed by the institution on institutional share and amounts collected from employees for federal, state, and local payroll taxes.

**ACCRUED SALARIES PAYABLE**

Amounts owed to employees for wages and salaries earned by them but not yet paid.

**UNEARNED TUITION**

That portion of tuition charges billed to the students but not yet earned by the institution. These amounts represent future educational services to be rendered to presently enrolled students and should be shown as a liability of the institution. The method of calculating unearned tuition should be disclosed clearly in the footnotes, and the method should be applied consistently from year to year.

The industry-standard method for calculating unearned tuition is to earn tuition revenue ratably over the period of the student contract. Further, it is rare that unearned tuition can be deferred into future periods and be treated as a long-term or other liability. Institutions which obligate students on a term- by -term basis have no long-term unearned tuition. Institutions should disclose the methods by which unearned tuition is calculated on the back page of the balance sheet.

**UNEARNED DORMITORY FEES**

An account parallel to UNEARNED TUITION but applicable to unearned dormitory fees.

**OTHER CURRENT LIABILITIES**

Obligations of the school not fitting the liability accounts listed above.

**LONG-TERM LIABILITIES****NOTES OR BONDS PAYABLE**

Obligations, secured or unsecured, of the institution evidenced by contractual documents, that portion of which is not due or payable within succeeding fiscal period.

**MORTGAGE PAYABLE**

Same as NOTES OR BONDS PAYABLE, but secured by real property.

**OTHER LONG-TERM LIABILITIES**

Long-term obligations not fitting NOTES OR BONDS PAYABLE or MORTGAGE PAYABLE listed above, such as deferred income taxes.

**STOCKHOLDER'S EQUITY OR NET ASSETS (NON-PROFITS)**

\* Please explain any changes from prior year results for accounts marked with an asterisk.

**\*PREFERRED STOCK**

Value recorded as contributed capital for preferred stock.

**\*COMMON STOCK**

Value recorded as contributed capital for issued stock

**\*OTHER EQUITY**

This account is provided for purposes other than prescribed for PREFERRED STOCK or COMMON STOCK and the retained earnings items, such as Paid-In Capital. This account shall also be used for nonprofit organizations which utilize only a single equity account.

**\*RETAINED EARNINGS-BEGINNING BALANCE**

This account represents the balance of retained earnings as of the end of the previous fiscal period.

**EARNINGS/LOSS FOR YEAR**

The amount of earnings (or loss) during the current fiscal period.

**DIVIDENDS**

The amount withdrawn from the institution for common stock dividends or preferred stock dividends. (Owners' salaries should not be included there. Instead, they should be included in the normal operating expense category. Distributions to owners of "S" corporations could be included here.)

**OTHER RETAINED EARNINGS CHANGES**

Changes in retained earnings not fitting into EARNINGS FOR YEAR and DIVIDENDS, such as prior-year adjustments and treasury stock transactions.

**Calculating Ratios**

The current AFR system online calculates operating ratios and the current ratio on the income statements and balance sheets.

**Calculating the Current Ratio**

Institutions must report the current ratio of assets to liabilities on all financial reports. Current ratio equals TOTAL CURRENT ASSETS divided by TOTAL

**CURRENT LIABILITIES.** Institutions must provide an appropriate written explanation if the current ratio is less than 1:1.

### **Calculating Operating Ratios**

Although operating ratios will be calculated automatically online, institutions are encouraged to understand how each ratio is calculated. Operating ratios for revenue and expense items will be calculated for all financial reports. When calculating operating ratios, each income and expense item should be divided by the amount of TOTAL EDUCATIONAL REVENUE. Therefore, the operating ratio for TOTAL EDUCATIONAL REVENUE will always be 100.00%.

For example, if TOTAL EDUCATIONAL REVENUE is \$100,000 and ADMINISTRATIVE EXPENSES is \$18,061, then the operating ratio for ADMINISTRATIVE EXPENSES is \$18,061 divided by \$100,000, or 18.06%.

Likewise, to calculate the operating ratio for GROSS TUITION of \$110,000, divide \$110,000 by TOTAL EDUCATIONAL REVENUE of \$110,000, for ratio of 110.00%.

### **Questions**

If you have any questions regarding the guidelines and procedures for filing financial reports with ACICS, please email [afr@acics.org](mailto:afr@acics.org).