

**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 a corporation'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 must submit the Annual Financial Report (AFR) to the Council no later than 180 days after the close of their fiscal year. The AFR can be submitted through the Council's website at <http://www.acics.org/afr/>.

In addition, institutions are required to prepare and submit audited financial statements within 180 days after the end of the fiscal year. These statements 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. Audits are to be submitted **in addition to** the Annual Financial Report.

If you have any questions about these Guidelines, please contact the Council office 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. 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. Revisions will be published in official Council publications and distributed to the primary contact at each accredited institution. It is the institution's responsibility to keep informed of the latest revisions.

Annual Financial Reports

General Requirements

Every year, each accredited institution must submit the Annual Financial Report (AFR) to the Council no later than 180 days after the close of their fiscal year. The AFR can be submitted through the Council's website at <http://www.acics.org/afr/>. Instructions on how to submit the Annual Financial Report can be found below.

Instructions for Submitting the Annual Financial Report Online

Log in

Log in by entering your ACICS ID Code for the Institution ID, and enter the password you received via email on the login screen (<http://www.acics.org/afr/>). Make sure you take this moment to change your password by clicking on the "Change password" link on the left navigation menu.

If you forget your password you can request to retrieve the information on the login screen. It will only be sent to the primary contact for the institution. If you do not remember the primary contact for the institution, please contact Mr. Jesse Haines at jhaines@acics.org or (202) 336-6845 to have your password reset. In addition, the institution must notify the Council immediately if their fiscal year-end changes.

Upon successful login, you will be directed to a welcome page with link(s) to access the online Annual Financial Report(s). A link for completing your AFR for the most recent fiscal year (Active AFR) will be provided.

Active AFR

You will be directed to a page called "AFR Home" for the current reporting year. On this page you will be able to access the following four portions that comprise the AFR:

1. Profile
2. Ownership Disclosure
3. Income Statement
4. Balance Sheet

If this is the first time you are logging in and accessing an active AFR, only the profile link will be active. The other three links will not be accessible until you complete the Profile. When you click on the Profile link, you will be presented with a form that is pre-populated with the data we have for your institution. You will have the opportunity to provide corrections and save the information. Once you have completed the Profile section, you will see an active link to the Ownership Disclosure section. At this point the Income Statement and Balance Sheet sections will still be inaccessible. When you click on the Ownership Disclosure link, you will have access to all relevant information for your ownership structure. Upon completing this form, all four of

the sections will be accessible. You can then proceed to complete your Income Statement and Balance Sheet in either order, or return to any of the four sections to edit.

When all four sections have been completed, an active “submit” button will be displayed on the “AFR Home” page. **Clicking this button and subsequently confirming will constitute official submission of the AFR to ACICS.**

Please note:

Once you have submitted the AFR your account will be locked, meaning you will have read-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 home 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. **There is a \$250 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 branch campus
4. A *balance sheet* that may be consolidated or for each main and branch campus

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.

Late filings:

A \$500 late fee will be charged if the AFR is received after the due date. In accordance with Section 2-3-401 of the *Accreditation Criteria*, failure to submit an AFR will result in the irreversible revocation of an institution’s accreditation without a hearing or opportunity for appeal.

If you need any additional information, please contact Mr. Jesse Haines, Research Coordinator – Area of Institutional Review, at jhaines@acics.org or (202) 336-6845.

Helpful hints for completing the Annual Financial Report

- 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 jhaines@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 in addition to the Annual Financial Reports, never in lieu of them. The Council understands that audited financial statements may not necessarily use the ACICS Chart of Accounts required for the Annual Financial Reports.

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 branch 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.** Two original copies of all audited financial statements must be sent to the Council office at:

Accrediting Council for Independent Colleges and Schools
Attn: Mr. Jesse Haines, Research Coordinator
750 First Street NE, Suite 980
Washington, DC 20002-4223

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; and
- 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.
- 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 Branch-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 branch-to-freestanding status submit the financial statements prior to starting the self-evaluation process.

2. Submitting A Branch Campus Application

An institution that wishes to open a branch campus is required to submit a branch business plan with the Branch Campus Application. The branch business plan must include the following information:

- a. A projection of revenues and expenses for the branch 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 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).
4. 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 (branch 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 contact Mr. Jesse Haines, Research Coordinator at jhaines@acics.org or (202) 336-6845.

Filing For Chapter 11 Bankruptcy Protection

The Council requires written notice of all bankruptcy filings. The institution will be directed to show cause 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 EXPENSE

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 EXPENSE

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 EXPENSE

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 EXPENSE

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 & Expenses

DORMITORY INCOME-Net

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.

BOOKSTORE OPERATIONS INCOME-Net

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.

INTEREST INCOME & EXPENSE-Net

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.)

OTHER INCOME & EXPENSE-Net

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.

EXTRAORDINARY AND UNUSUAL INCOME & EXPENSE-Net

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 & 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 ON HAND AND IN BANKS-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, RELATED PARTIES

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.

TEMPORARY 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 – CURRENT

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.

PREPAID EXPENSES – SUBSEQUENT PERIODS

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.

PERKINS LOAN 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 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 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%.

Disclosures

On the last section of the AFR (balance sheet) there is a section for disclosures. Please complete this section before submitting the reports online. 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 jhaines@acics.org with a subject line of "Capital Adjustments – AFR".

Questions

If you have any questions regarding the guidelines and procedures for filing financial reports with ACICS, please contact Mr. Jesse T. Haines, Research Coordinator- Area of Institutional Review at jhaines@acics.org or (202) 336-6845.