

## 10. Policy on Financial Statements

In submitting financial statements to the Accrediting Commission, the financial statement must be prepared “**in conformity with generally accepted accounting principles,**” often referred to as “**GAAP.**” This includes the use of accrual method of accounting. The institution has the option of submitting one of these two types of financial statements, unless the Commission has directed that an audited statement must be submitted:

1. An **audited financial statement** containing a report by an outside, independent, certified public accountant in accordance with standards established by the American Institute of Certified Public Accountants.
2. A **reviewed financial statement** containing a report by an outside independent certified public accountant in accordance with standards established by the American Institute of Certified Public Accountants. A “reviewed financial statement” consists of inquiries of institutional management by an outside, independent, certified public accountant and includes analytical procedures applied to financial data. It is smaller in scope than an audited statement and does not have an “opinion” regarding the financial statements. However, the accountant must state that he or she is not aware of any material modifications that would need to be made to the statements in order for them to be in conformity with standards established by the AICPA.

All financial statements should cover the activities of the legal entity that has the responsibility for operating the accredited distance education institution. A “Letter of Financial Statement Validation” must accompany the institution’s financial statements (see next page). (Please see C.12. Financial Statement Analysis on DETC’s website (Select “Member Services” tab and “Evaluators Documents” and C.12. Critical Documents).

### Minimum Acceptable Financial Statements

At a minimum, the financial statements (audited or reviewed) **must** be comprised of:

- A. A **Comparative Statement**, which displays the most recent **two** fiscal years of financial data, preferably in side-by-side columns.
- B. **Balance Sheet**, reflecting assets, liabilities, equity, and retained earnings;
- C. **Income Statement**, reflecting revenues, expenses, and profits and losses;
- D. **Statement of Cash Flows**, reflecting the sources and uses of working capital;
- E. **Statement of Changes in Shareholders’ Equity or Net Worth**, showing activity in Shareholders’ Equity or Net Worth for the periods presented; and
- F. **Explanatory Notes**, which reflect all of the disclosures or footnotes required by generally accepted accounting principles.

These statements must be as of the date of the institution’s most recently ended fiscal year or a date otherwise specified by the Accrediting Commission.

*(continued)*

## Letter of Financial Statement Validation

This letter must accompany an institution’s financial statements when submitted as an exhibit with a Self-Evaluation Report, or anytime when the Accrediting Commission calls for a financial statement from an institution, or when an institution’s Annual Report submission requires a financial statement (e.g., when there’s a loss reported).

December 30, 2012

Mr. Michael P. Lambert  
Executive Director  
Distance Education and Training Council  
1601 18<sup>th</sup> Street, NW  
Washington, DC 20009

Dear Mr. Lambert:

As a certifying officer, I acknowledge my responsibilities for establishing and maintaining controls and procedures that ensure that I am aware of material information relating to [name of institution]. The attached report discloses (a) all material weaknesses in internal controls that came to the attention of certifying officers, (b) any fraud involving management or employees with significant responsibilities, and (c) any significant changes in internal controls, including actions to correct material weaknesses, during the period covered by this report.

I have reviewed this report. Based on my knowledge:

- (1) This report contains all the facts needed to prevent it from being misleading and it contains no untrue statements;
- (2) Financial statements and other information fairly present the financial condition, results of operations, and cash flow.

Certified by:

Chief Executive Officer: \_\_\_\_\_

Chief Financial Officer: \_\_\_\_\_