

**Distance Education Accrediting Commission (DEAC)
Instructions for the Preparation and Submission of Financial Statements and Related Documents**

Deadlines for the Submission of Fiscal Year-End Financial Statements

1. Institutions must submit audited comparative or reviewed comparative year-end financial statements using two deadlines established by DEAC that are based upon institutional fiscal year end dates as follows.

FISCAL YEAR END DATE	SUBMISSION DUE DATE TO DEAC
January 1 through June 30	December 31
July 1 through December 31	June 30

For example, an institution with a fiscal year end date of December 31, 2021 will have a due date of June 30, 2022 to submit their audited comparative or reviewed comparative financial statements to DEAC. An institution with a fiscal year end date of March 31, 2022 will have a due date of December 31, 2022 to submit their audited comparative or reviewed comparative financial statements to DEAC. It is the responsibility of the institution to contact DEAC and request an extension if the statements are not available by the due date.

2. If the Commission requests interim financial statements or additional information, the due date for the submission will be communicated by the Commission in its written request for the information.

3. Financial statements must be submitted via Dropbox link or email attachment to Kimberly.cook@deac.org and copy nan.ridgeway@deac.org. If using Dropbox, please be sure to give reading permission to Kimberly Cook and Nan Ridgeway. If files are encrypted, please be sure to provide the password to DEAC staff.

Financial Statement Submission Instructions for Institutions Applying for Initial Accreditation

Institutions applying for initial accreditation are subject to the same requirements as accredited institutions as stated above in the *DEAC Accreditation Handbook, Part Two: Processes and Procedures III. Eligibility Requirements* and the *DEAC Accreditation Handbook, Part Three: Accreditation Standards XI. Financial Responsibility*.

An application for initial accreditation will not be accepted if the Commission finds that the institution does not meet the financial standards.

Submission of the Eligibility and Certification Approval Report

Institutions that participate in Title IV should include a copy of the most current Eligibility and Certification Approval Report (ECAR) issued to the institution by the United States Department of Education School Participation Management Division.

Below are the relevant Standards of Accreditation, glossary definitions, and instructions.

Relevant Standards of Accreditation

DEAC Accreditation Handbook, Part Two: Processes and Procedures

III. Application for Initial Accreditation or Accreditation Renewal; Determining Eligibility

G. The institution documents that it is financially sound and can meet its financial obligations to provide instruction and service to its students by submitting financial statements in accordance with Part Three, Section XI, Financial Responsibility, DEAC Accreditation Handbook.

XVII. Interim Monitoring of Accredited Institutions

A.9. Significant Changes in Financial Condition: The annual report requires the submission of audited financial statements and additional financial information.

- a. An institution participating in Federal Student Assistance Title IV programs reports additional information describing its participation and submits audited comparative financial statements, including its compliance audit for its most recent fiscal year, within 180 days following the end of the fiscal year.
- b. An institution submits audited or reviewed financial statements for the two most recent fiscal years prepared on a comparative basis and in accordance with Section XI. Financial Responsibility standards. DEAC reviews the financial statements and determines whether further reporting is required or other appropriate action is necessary.
- c. All institutions are required to address and explain any significant change in their financial condition since the previous year's annual report.

B. Title IV Program Compliance: DEAC reviews information provided by an institution participating in Federal Student Assistance Title IV programs to verify (1) continued compliance with its federal student assistance program responsibilities based on the most recent "official cohort default rates" published by the U.S. Department of Education, (2) results of its audited comparative financial statements, and (3) its compliance audit, program review information, and any other information provided to DEAC by the U.S. Department of Education. DEAC will investigate and the Commission will direct such further action as appropriate if an institution appears to be noncompliant with its FSA Title IV requirements. DEAC is obligated under federal regulations [CFR 602.27(a)(6)] to report to the U.S. Secretary of Education an institution it has reason to believe is failing to meet its Federal Student Assistance Title IV program responsibilities or is engaged in fraud or abuse.

XIX. Process with Respect to Each Substantive Change

C.4. A proposed transfer of ownership is approved based on the new owners, governing board members, and administrators possessing the capacity to own and operate a DEAC-accredited institution. The new ownership's financial condition includes sufficient resources to continue sound institutional operations in fulfillment of all commitments to enrolled students. The financial stability allows the institution to remain in compliance with DEAC accreditation standards.

J.3. For each institution that elects to participate in Federal Student Assistance Title IV programs, DEAC examines (a) the record of the institution's compliance with its federal program responsibilities under FSA Title IV regulations, based on the most recent "official cohort default rates" published by the U.S. Department of Education; (b) the results of its audited financial

statements; and (c) the institution's compliance audits, any program reviews conducted by the US Department of Education, and any other information that the U.S. Department of Education may provide to DEAC. DEAC takes action, as appropriate, when any of the information suggests that the institution may be failing to meet DEAC's standards.

J. 11. I. Financial Responsibility The institution meets the financial responsibility and administrative capability rules for federal financial aid participation, including the annual submission of audited comparative financial statements for the two most recent fiscal years, auditor opinion and management letters, and composite score calculation.

DEAC Accreditation Handbook, Part Three: Accreditation Standards

XI. Financial Responsibility, Core Components

A. Financial Practices

The institution shows that it is financially responsible by providing complete, comparative financial statements covering its two most recent fiscal years and by demonstrating that it has sufficient resources to meet its financial obligations to provide quality instruction and service to its students. Financial statements are audited or reviewed and prepared in conformity with generally accepted accounting principles in the United States of America or International Financial Reporting Standards. The institution's budgeting processes demonstrate that current and future budgeted operating results are sufficient to allow the institution to accomplish its mission and goals.

B. Financial Management

Individuals overseeing the fiscal and budgeting processes are qualified by education and experience. The institution employs adequate administrative staff for effective operations, and at least one person is qualified and able to prepare accurate financial reports in a timely manner. Internal auditing trails and controls are in place to assure that finances are properly managed, monitored, and protected. Adequate safeguards prevent unauthorized access to online and on-site financial information.

C. Financial Stability and Sustainability

The institution maintains adequate administrative staff and other resources to operate effectively as a going concern and is not exposed to undue or insurmountable risk. Any risk that exists is adequately monitored, manageable, and insured. In the event the financial operations of the institution are supported by a parent company or a third party, audited or reviewed financial statements are provided by the supporting entity to demonstrate that the supporting entity possesses sufficient financial resources to provide the institution continued financial sustainability, as well as the commitment to do so. If the institution's financial performance is included within the parent corporation's statements, a supplemental schedule for the individual institution is appended to the parent statement.

D. Financial Reporting

Financial statements are prepared in conformity with generally accepted accounting principles in the United States of America often referred to as "GAAP," including the accrual method of accounting. An independent certified public accountant (CPA) audit or review report accompanies these statements.

1. The institution's financial statements reflect sufficient liquid assets to provide for a staff and faculty.
2. Annually, the institution has the option of submitting one of these two types of financial

statements, unless the Commission directs the institution to submit audited financial statements.

- Audited comparative financial statements containing an audit opinion by an independent certified public accountant in accordance with standards established by the American Institute of Certified Public Accountants, or
- Reviewed comparative financial statements containing a review report by an independent certified public accountant in accordance with standards established by the American Institute of Certified Public Accountants.

When circumstances raise a concern as to the financial soundness and stability of an institution, the Commission may, in its discretion, require that the institution deliver within a specified period of time (as reasonably determined by the Commission taking into account, for example, the exigency of the concerns and the size of the institution), audited comparative financial statements or such other financial documentation as the Commission may determine will provide information as to the institution's financial health and status.

3. Financial statements submitted must include the institution's fiscal statement for the two most recent fiscal years prepared on a comparative basis or a date specified by the Commission, the CPA's opinion letter or review report, and a letter of financial statement validation.

DEAC Accreditation Handbook, Part Four: Appendices

I. Glossary

Financial Statements

At a minimum, the financial statements (audited or reviewed) must be comparative, a letter of financial statement validation, CPA Opinion or Review Report, and include the following

For Profit Institutions

- Balance Sheet: reflecting assets, liabilities, and equity;
- Income Statement: reflecting revenues, expenses, and net income (loss);
- Statement of Cash Flows: reflecting the sources and uses of cash;
- Statement of Changes in Shareholders' Equity: showing activity in Shareholders' Equity for the periods presented; and
- Explanatory Notes: reflects all of the disclosures or footnotes required by generally accepted accounting principles.

Non-Profit Institutions

- Statement of Financial Position: reflecting assets, liabilities, and net assets;
- Statement of Activities: reflecting revenues, expenses, and change in net assets;
- Statement of Cash Flows: reflecting the sources and uses of cash;
- Explanatory Notes: reflects all of the disclosures or footnotes required by generally accepted accounting principles.

These 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 requirements 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 and may cause the Commission to question the administrative capacity of the institution.