

Compilation by a CPA

(Cost Range: less than \$3000) Schools with less than \$2 million in total revenue, in order to meet the compliance level, may operate on a cash basis but must provide a compilation from an outside CPA.

OPTIONAL: A school may ask for support from the CPA in the following areas, as needed:

1. Corporate and administrative matters—Review of existing corporate and administrative documents and policies, including bylaws, articles of incorporation, board policies, loan and lease documents, conflicts of interest, intellectual property rights issues, and more.
2. Internal controls—Review of existing internal controls to determine if you have the appropriate checks and balances to safeguard your assets and help prevent fraudulent activity or financial reporting.
3. Financial accounting and reporting—Examination of financial reports and procedures to identify strengths and weaknesses and make suggestions for improvement.
4. Tax compliance—Review to determine whether you are in compliance with various tax requirements for federal and state filings, payroll records, compensation, property tax exemptions and more.

No report is necessary other than the compilation.

Financial Statement Review

(Cost Range: \$3,000–\$6,500) Considered “compliance Level” for schools with over \$2 million in total revenue.

A service under which a CPA obtains limited assurance that there are no material modifications that need to be made to the entity’s financial statements for them to be in conformity with generally accepted accounting principles.

In a financial statement review, the accountant performs those procedures necessary to provide a reasonable basis for obtaining limited assurance that no material changes are needed to bring the financial statements in compliance with generally accepted accounting principles. The types of procedures that would be reasonable to conduct for a review include:

1. Ratio analysis with historical, forecasted, and industry results
2. Investigation of findings that appear to be inconsistent
3. Inquiry about procedures for recording transactions
4. Investigation of unusual or complex situations that may impact reported results
5. Inquiry about material events that occurred during and after the end of the year
6. Investigation of significant journal entries
7. Review of communications from regulatory agencies
8. Review of management reports

Financial Audit

(Cost Range: \$6,000–\$14,000) Should be considered by schools over \$3 million in total revenue.

The examination of an entity’s financial statements and accompanying disclosures by an independent auditor (CPA). The result of this examination is a report by the auditor (CPA), attesting to the fairness of presentation of the financial statements and related disclosures.

The primary steps of an audit are:

1. Planning and risk assessment—Involves gaining an understanding of the business and the business environment in which it operates and using this information to assess whether there may be risks that could impact the financial statements.
2. Internal control—Involves the assessment of the effectiveness of any entity’s controls, including safeguarding of assets and segregation of duties.
3. Substantive procedures—Involves a broad array of procedures consisting of ratio comparison, review reconciliations of account balances, confirmation of bank accounts and investment balances, observation of fixed assets and inventory, examination of cash receipts and disbursements, and much more.

Indicator 2.9	Noncompliance	Partial Compliance	Compliance	Exceeds Compliance
An evaluation of the school’s finances is conducted by an external CPA who has no vested interest in the school at the time of initial accreditation and renewal. The annual statement of financial practices is submitted with the annual accreditation report.	No evaluation of finances is conducted at the time of initial accreditation and renewal.	An evaluation of finances is conducted but it is a lower level than recommended in the chart provided on <i>Options for Meeting Indicator 2.9</i> . Or, the review is not conducted by an external CPA.	An evaluation of finances is conducted in a timely fashion at the recommended level in the chart provided on <i>Options for Meeting Indicator 2.9</i> . The review is conducted by an external CPA.	An evaluation of the school’s finances is conducted by an outside CPA and yields an audit at the time of initial and renewal of accreditation. The audit is used to improve systems and operations.

Options for meeting Indicator 2.9	< \$2 Million in Total Revenue	\$2 - \$3 Million in Total Revenue	> \$3 Million in Total Revenue
Please note: This is a Critical Indicator. Less than compliance level will most likely result in a major recommendation.	Use cash or accrual basis of accounting. Use an outside CPA to provide a compilation. Must do all of the above to be considered “Compliant.”	Use Generally Accepted Accounting Principles (GAAP) for basis of accounting. Use a Financial Statement Review (or higher) prior to initial and renewal of accreditation. Use an outside CPA. Must do all of the above to be considered “Compliant.”	Use Generally Accepted Accounting Principles (GAAP) for basis of accounting. Use a Financial Statement Review (or higher) prior to initial and renewal of accreditation. Use an outside CPA. Must do all of the above to be considered “Compliant.” An audit is recommended, only required for “Exceeds Compliance.”