FINANCIAL REPORTING GUIDELINES

Accredited Institutions:
STATEMENT OF PURPOSE: All new institutional applicants for accreditation, applicants for re-accreditation, and applicants for change of ownership must provide a financial statement prepared by an outside accountant, together with full disclosures in accordance with generally accepted accounting practices (GAAP). A fully audited or reviewed financial report is required by the Commission. An independent Compilation with Disclosures will also be considered for schools generating less than $400,000 in gross revenue. Those who believe their schools fall into this category should contact COMTA staff for further directions. This document is intended to serve as a financial glossary and guideline for preparing financial documents for accreditation.

Standard XII.A.2: The institution demonstrates a commitment to the financial resources for the education of all currently enrolled students in a program consistent with the standards.

a. Financial reports provide clear evidence of financial stability and sound fiscal practices (e.g., budget, tuition bond, letter of credit, audited, reviewed or compiled statements, history of income and reserves, current ratio of assets and liabilities).
b. Financial statements are prepared in accordance with generally acceptable accounting principles, the COMTA Financial Reporting Guidelines, and all applicable federal, state, and local requirements.

Determining Compliance
In determining compliance with the standard, the staff and Commission will consider the financial statements in light of the following:

- A record of income and reserves is maintained (as evidenced by an independent audited, reviewed or compiled financial statement) sufficient to complete the instruction of currently enrolled students and to maintain a program consistent with the standards.
- Financial reports provide clear evidence of financial stability and sound fiscal practices (e.g., budget, tuition bond, letter of credit, audited, reviewed or compiled statements, history of income and reserves, current ratio of assets and liabilities).

If one of these items is not able to verified from the financial statements, the Commission may consider other factors which may impact an institution’s financial stability, including but not limited to:

- Audited/reviewed/compiled Profit and Loss statements demonstrating sufficient income
- Pattern of improvements in income and/or current ratio
- Presence of Letter of Credit, tuition bond, or other security which can be used as evidence that currently enrolled students will be protected
- Participation in federal or state funding programs and the institution’s current standing therein
• Explanation of one-time, unusual expenses and a current budget demonstrating improvements since the fiscal year end.

**Accredited Programs:**

1. **STATEMENT OF PURPOSE:** All new programmatic applicants for accreditation and applicants for re-accreditation must provide periodic reports and collection and analysis of key data and indicators, including fiscal/financial information. For programmatic accreditation, a program budget demonstrating adequate resources and institutional support of the program is required.

**Standard III.A.5:** For programmatic accreditation, there is a realistic program budget demonstrating adequate resources and institutional support of the program.

**Determining Compliance**

In determining compliance with the standard, the staff and Commission will consider the following when reviewing program department budgets:

- The annual department budget reflects sufficient financial resources to administer the program
- The annual department budget has been approved by the appropriate institutional or department representative and/or Program Chair

If these items are unable to be verified, the Commission may require additional evidence to verify that the program has sufficient resources to administer the program and provide instruction to all currently enrolled students.

**ADDITIONAL GUIDELINES**

**Method of Accounting**

The accrual basis of accounting is strongly recommended. However, if financial statements are submitted using the cash basis of accounting, the following additional information is required to enable a more accurate evaluation of the institution’s financial stability:

1. Current payable obligations, including:
   a. Trade receivables and payables
   b. Payroll tax obligations
   c. Tuition refund payable obligations
2. Unearned tuition obligations with clear notation of earnings method.
3. Financial relationships with affiliates and subsidiaries.
4. Other assets and liabilities and adjustments of other accounts.

Accountants **must provide** a standard *Statement of Cash Flows*, with *Disclosures and Notes to Financial Statements* which include method of earnings and method of accounting of unearned tuition obligations.
The Chart of Accounts described in these guidelines has been developed by COMTA for its evaluation of educational institutions with programs in massage. This chart is consistent with accounting requirements of proprietary schools under generally accepted accounting principles (GAAP). These charts will enable participating institutions and their accountants to measure their financial health in relationship to career colleges and schools in general.

Financial reports are required to be prepared in accordance with generally accepted accounting principles (GAAP).

Financial statements submitted to COMTA shall also include a signed statement by the institution’s management concerning the financial condition of the school, certifying the accompanying Financial Report. This statement shall include commentary or explanations on any unusual item on the financial statement, i.e., low liquidity, excessive receivables, large debt, proportionally low equity, and unusual operating data.

COMTA has no legal or statutory privilege for confidentiality; however, the institution’s financial reports will be handled in a confidential manner in accordance with COMTA guidelines.

Balance Sheet
The balance sheet is divided into three sections: assets, liabilities, and equity.

Assets: Current

Cash: Unrestricted cash

Accounts Receivable, Students - Net: This account is to contain amounts due the school for all student charges, i.e., tuition, textbooks, supplies and dormitory fees.

Accounts Receivable, Other: The account contains amounts due the school from other sources, which should be identified.

Notes Receivable, Other: Same as for Accounts Receivable, Other.

Inventory: The account shall contain the cost of textbooks, tables, and supplies held for resale to students. The inventory costs method used is optional, but should be reported in the accompanying Notes.

Other Current Assets: Only investments or 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.

Amounts paid for future services that will not be absorbed as expenses during the current fiscal year; e.g. prepaid insurance, or rent.
Assets: Fixed

Buildings and Land: Original acquisition costs to present owner of classroom buildings and dormitories currently devoted to educational purposes. Any appraisal value changes shall be handled in separate accounts and the method of appraisal shall be specified. The cost of land held for future use shall be recorded in an asset account listed under Other Assets.

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

Leasehold Improvements: Original acquisition cost to present owner of property improvements.

Other Fixed Assets: Original acquisition cost to present owner of other assets used for an educational purpose not filling the asset accounts listed above.

Less Depreciation and Amortization: Depreciation and amortization of all fixed assets. The method of depreciation is optional and should be disclosed.

Deposits: The total of amounts paid for security deposits such as utilities or of restricted Certificates of Deposit.

Goodwill: Goodwill should be recorded only if there is direct evidence of an actual purchase by the current owner. Write-ups of estimated intangible values are not acceptable. For example, a valid recording of goodwill can occur when the purchase price paid by the current owner exceeds true value of tangible assets acquired at the time of purchase. Generally, goodwill purchased is judged to have a relatively short life. Therefore, it should be amortized over a period of four to five years. The amortization period should be disclosed.

Other Assets: Original acquisition cost to present owner of assets not fitting the asset accounts listed above. For example, land not now used but held for future use.

Liabilities: Current

Accounts Payable: The amounts owed to creditors on open account for regular operational obligations to be paid in the normal course of business operations.

Notes Payable: The amounts owed to creditors under promissory notes and due within next operating period.

Tuition Refunds Payable: The amounts owed to withdrawn students for unused tuition and other charges in accordance with the institution’s refund policy. The refund policy must comply with whichever of the following refund policies is most beneficial to the students: COMTA, the state, or other accrediting bodies.
**Current Portion - Long Term Debt:** The amount owed within current fiscal year on long term debt. For example, annual serial payoffs of a mortgage or long term note payable.

**Payroll Taxes Payable:** Amounts owed by the institution on the institutional share, and amounts collected from employees for Federal, State and Local payroll taxes.

**Unearned Tuition:** The 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 definite 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. Any change in the method of calculating unearned tuition requires an audited statement to ensure proper recording of tuition earnings for the fiscal year.

**Other Current Liability:** Obligations of the school not fitting the liability accounts listed above.

**Liabilities: Long Term**

**Notes or Bonds Payable:** Secured or unsecured obligations of the institution which are evidenced by contractual documents, that portion of which is not due or payable with the current fiscal period.

**Mortgage Payable:** Same as Notes or Bonds Payable, but secured by real property.

**Other Long-Term Liabilities:** Long-term obligations not fitting the above accounts; for example, deferred income taxes.

**Stockholder’s Equity**

**Common Stock/Paid in Capital:** Value recorded as contributed capital for issued stock.

**Other Equity:** This account is provided for purposes other than prescribed in Common Stock, and Retained Earnings items; for example, paid in capital. This account shall also be used by non-profit organizations which utilize only a single membership equity account.

**Retained Earnings - Beginning Balance:** This account represents the beginning balance of the retained earnings as of the end of the previous fiscal year.

**Earnings (Loss) for Year:** The amounts of earnings (or loss) during the current fiscal period.

**Distribution:** The amount withdrawn from the institution for stock dividends. (Owner’s salaries should not be included here, but should rather be included in the normal operating expense category.)

**Income Statement**

The income statement is divided into two sections: income and operating expenses.
Income

**Gross Tuition:** The total amount recorded as received for educational services rendered exclusive of the deduction for Tuition Refunds and Textbook Expense. A school may wish to break out its tuition for COMTA accredited programs from tuition received for other programs or workshops.

**Tuition Refunds:** The total of tuition refunds applicable to the current period only. Refunds for prior years should be treated as Other Income and Expense - Net.

**Textbook Expense:** If the tuition includes costs of textbooks, the costs of textbooks should be deducted. If a separate bookstore operation is maintained, its net income (loss) should be reported in Bookstore Income - Net.

**Operating Expenses:** These breakdowns will be helpful especially to institutions who intend to participate in Title IV funding, as their reports require these breakdowns.

**Instructional Expense:** Includes all salaries for education personnel including instructors, librarians, registrar, teacher’s aids and readers, payroll taxes, fringe benefits, workers compensation and insurance for the related salaries, contract services for educational purposes. For institutions with multiple programs, it also includes salaries for deans and department chair of the massage program.

All cost of providing the faculty with the physical supplies of instruction such as paper, pencils, equipment maintenance, computer or equipment rental if used for instruction, continuing education, professional meetings, travel to professional meetings, instructional travel expense, other instructional expense and library expense.

**Administrative Expense:** Includes all salaries paid to financial personnel, secretaries, receptionists, clerks, owner/directors, placement personnel and counseling personnel, payroll taxes and fringe benefits for related salaries.

All costs of providing for the overall function of the school not attributable to recruitment and instruction. Includes memberships in associations, audit and legal fees, travel and business meeting expense, corporate auto expense, office supplies, board of director fees, charitable contributions and donations, all scholarships, temporary help and other personnel costs and bad debt expense.

**Recruitment or Marketing expense:** Includes all salaries, sales commissions, payroll taxes and fringe benefits for admissions personnel. Also, advertising, promotional expense, travel expense or recruitment personnel, catalogs and brochures, advertising and yellow page listings, mailing and mailing lists, printing supplies public relations expense and sales meetings expense.

**Occupancy Expense:** Includes all rent and lease charges on major facilities used for educational purposes, depreciation of such physical plant or of leasehold expense, building repair and
maintenance, janitorial supplies, services and salaries and related taxes and fringe benefits, all insurance charges, real property taxes and utilities.

**Bookstore Operations - Net:** If the institution maintains a bookstore on premises, the net effect of bookstore operation. If the bookstore is off premises, do not include for this report.

**Clinic - Net:** If the institution maintains a clinic on premises, the net effect of clinic operation. If the institution maintains a clinic off premises, do not include for this report.

**Other Income and 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 expense for Federal programs and dividends received, and sale of fixed assets.

**Federal and State Income Taxes:** Self explanatory.
The following are outlines for the Balance Sheet and Income Statement. Institutions may choose to use these categories or others that more accurately support their operational needs.

ASSETS, LIABILITIES, EQUITIES

For year ending, 20___

Accounting System: Cash _________ Accrual _________

Assets

Current Assets
Cash
Accounts Receivable, Student Net
Accounts Receivable, Other
Notes Receivable, Other
Inventory
Other Current Assets

Total Current Assets

Fixed Assets
Buildings and Land
Furniture and Equipment
Leasehold Improvements
Other Fixed Assets
Less Depreciation & Amortization

Total Fixed Assets

Other Assets
Deposits
Goodwill
Other Assets

Total Other Assets
Total Assets

Liabilities

Current Liability
Accounts Payable
Notes Payable
Tuition Refunds Payable
Current Portion: Long Term Debt
Payroll Taxes Payable
Unearned Tuition
Other Current Liability

January 2023
Total Current Liability

Long Term Liability
   Notes or Bonds Payable
   Mortgage Payable
   Other Long Term Liabilities

Total Long Term Liabilities
Total Liabilities

Stockholder Equity
   Common Stock/Paid in Capital
   Other Equity
   Retained Earnings Beginning Balance
   Earnings (Loss) for the Year
   Distribution

Total Stockholder Equity

Total Liability and Stockholder Equity

INCOME AND EXPENSE

Income
   Gross Tuition
   Tuition Refunds
   Textbook Expense
   Bookstore Operations - Net
   Clinic - Net
   Other Income and Expense – Net

Total Income

Operating Expense
   Instructional Expense
   Administrative Expense
   Recruitment or Marketing Expense
   Occupancy Expense
   Depreciation & Amortization
   Bad Debts
   Interest
   Federal and State Income Taxes

Total Operating Expense

Net Income (Loss)

Extraordinary Items (Explain)

Net Earnings