Standard VII – Financial Practices and Management

The institution maintains a sound financial condition and has qualified financial management.

D 1. The financial statements of the institution demonstrate that it has the financial resources to ensure continuity of operation, educational programs and services, and to fulfill its obligations to students and employees, by meeting the following requirements:

a. Has met the requirements as set forth by the U.S. Department of Education, in accordance with 34 C.F.R. 668.171(b) (1), or the successor regulation, or
b. A ratio of current assets to current liabilities of one-to-one or greater (current ratio); a positive tangible net worth; and a profit in the most recent accounting year, or in two of the most recent three accounting years. Any assets of the institution that are excluded in the calculation of the composite score shall also be excluded by NACCAS in the calculation of the current ratio and net worth, or;
c. If the institution is not in compliance with Criterion 1 (a) or 1 (b), it has the option to demonstrate financial stability by meeting the following requirements:
   i. Cash and cash equivalents plus available lines of credit are equal to at least 16.7% of annual revenue.
   ii. Ratio of net liabilities (total liabilities minus cash and cash equivalents) to tangible net worth is 2:1 or less, OR ratio of total debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) is 3:1 or less.
   iii. At the institution's expense, it agrees to an onsite evaluation of its financial stability by an independent Certified Public Accounting firm selected by NACCAS, and NACCAS determines the evaluation report demonstrates positive financial stability. A copy of this report shall be provided to the institution. The evaluation shall include a series of agreed upon procedures to be determined by NACCAS. These procedures may include (but may not be limited to) the following areas of concern:
      A. Capacity to meet financial obligations as they come due.
      B. Compliance with loan and lease agreements.
      C. Compliance with state requirements for posting surety bonds for student tuition refunds where institution operates instructional programs.
      D. Compliance with federal and state tax requirements, and regulations of the U.S. Department of Education (if applicable).
      E. Budget process and internal financial reporting.
      F. If applicable, the institution's financial relationship with a holding company.
      G. Personal interviews with the institution's auditor and key members of management.

In accordance with *Section 8.18* (see page 124) of the NACCAS *Rules of Practice and Procedure* (see page 59), an institution is required to bring itself into compliance with accreditation requirements within the time frames established in the *Rules*.

In addition, the institution's financial statements:

d. Do not contain any significant or material finding within the auditor's report, the financial statement, the notices to financial statements, and/or the internal control auditor's report; to include going concerns, subsequent events, significant deficiencies, material weaknesses, and significant liabilities;
e. Do not disclose that the institution is in default on any of its debt obligations;
f. Are audited and submitted electronically by the independent Certified Public Accountant;
g. Are prepared on an accrual basis, and in accordance with Generally Accepted Accounting Principles (GAAP); and

h. Must contain a statement from the independent CPA showing the calculations referenced in Criteria 1(a) or 1(b).

D 2. Institutions participating in Title IV funding programs must submit audited financial statements in accordance with federal auditing standards and guidelines.

D 3. Unless superseded by a state-, federal- or program-mandated refund policy, the institution shall adopt a policy that complies with the NACCAS *Withdrawal and Settlement Policy and Checklist* (see page 42).

D 4. Institutions participating in federal Title IV financial aid programs must perform both an institutional refund calculation and a Return to Title IV calculation.

D 5. The institution applies the applicable refund policy to all terminations for any reason, by either party, including student decision, course and/or program cancellation, or institution closure.

D 6. The institution maintains evidence that institutional refunds are received by the recipient in a timely manner, such as, but not limited to, a cancelled check, bank reconciliation, signed receipt of delivery, or documentation that funds were disbursed in accordance with applicable federal or state regulations.

D 7. The institution accurately implements the applicable refund policy.

D 8. The institution complies with the NACCAS *Policy on Extra Instructional Charges* (see page 46), if applicable.

D/A 9. Staff working with financial and accounting records is qualified by training and/or experience in accounting and bookkeeping.

D/A 10. Staff working with student financial aid is qualified by training and/or experience in applicable laws and regulations.