



Tuesday, November 29, 2016

Dear School Owner and Interested Party:

In our June 28, 2016 Financial Highlights notice, NACCAS informed all constituents that NACCAS Policy VII.03 - Financial Practices & Management: Policy on Financial Statements Reserves had been revised and postponed for implementation. At its recent Commission meeting, NACCAS Policy VII.03 - Financial Practices & Management: Policy on Financial Statements Reserves has now been formally revised and ready for implementation, according to the following details:

**Policy VII.03
Financial Practices & Management:
Policy on Financial Statement Reserves**

This Policy applies to audited financial statements with a fiscal year end date of July 1, 2017 and thereafter.

1. **Reserve Requirement:** The institution must have (at least) 3% of Net Revenue in reserves.

For these purposes, "Net Revenue" is defined as revenue minus refunds, or discounts. It does not include cost of goods sold, operating expenses, or taxes. Reserves shall consist of cash and/or cash equivalents as defined by U.S. GAAP, or any documented commercial line of credit issued to the institution. (Any letter of credit requirement imposed by the U.S. Department of Education can not be included as reserves as required by this Policy VII.03.)

2. **Compliance Deadlines:** All accredited institutions and applicants for accreditation must demonstrate compliance with this Policy VII.03 by the following deadlines.
 1. **Applicants for Initial Accreditation:** Institutions applying for initial accreditation must have 3% of Net Revenue in reserves at the time of application. [This means that any financial statements with a fiscal year end date of July 1, 2017 and thereafter that are submitted in connection with an application for initial accreditation must show reserves of at least 3% of Net Revenue.]
 2. **Accredited Institutions:** Accredited institutions may demonstrate compliance with this Policy VII.03 by increasing their reserves over a three-year period, in accordance with the following timetable:

Reminder to NACCAS-accredited schools: Your school's email address may be important to NACCAS as a part of the requirement that you are able to receive all official communications relevant to your accreditation. Before you unsubscribe make sure that NACCAS has a valid email address for your school.



1. The institution should (but is not required to) demonstrate at least 1% of Net Revenue in reserves for audited financial statements with year-ending dates between July 1, 2017 and June 30, 2018.
2. The institution must demonstrate at least 2% of Net Revenue in reserves for audited financial statements with year-ending dates between July 1, 2018 and June 30, 2019.
3. The institution must demonstrate at least 3% of Net Revenue in reserves for audited financial statements with year-ending dates of July 1, 2019 and thereafter.
3. Average Reserve Balance: In each fiscal year, the institution must maintain the required reserve balance (as described above) (a) for the 90 days prior to fiscal year end and (b) for at least nine (9) of the twelve (12) months in that fiscal year. [For example, an institution with a 3% reserve requirement and a December year end must meet the 3% reserve requirement for (i) October through December, and (ii) at least 6 other months during that year.] This requirement does not apply to accredited institutions in their first year of transitioning to the 3% Reserve Requirement (as described in Section 2(b)(i) above).
4. CPA Certification of Compliance: The institution's audited financial statements must include auditor footnote(s) indicating the institution is compliant with this Policy VII.03.
5. Temporary Waiver: An institution that has suffered a disaster (as described in Policy VIII.01: Policy on Disasters) may Petition the Commission for a temporary waiver of this Policy VII.03.

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