

LR INFORMATION 1. REQUIREMENT FOR FINANCIAL STATEMENTS

To comply with R4-39-108

Updated: November 2009

Arizona Revised Statute Section 32-3021.B.3 states that the educational entity must be financially responsible. In order for the State Board to assess the financial condition of an education entity, this Board requires that an applicant for private postsecondary education license must submit financial information that accurately reflects the financial condition of the educational entity and its ownership.

The burden of proving financial responsibility lies with the applicant. Applicants are encouraged to submit any information that will help the Board understand the financial position of the entity or its owners.

All historical financial statement presentations submitted must be:

1. Reported on by an independent, certified public accountant currently licensed by the Arizona State Board of Accountancy or by the accountancy board in the state of the applicant's or license's headquarters.
2. Financial statements that are prepared and compiled, reviewed or audited in accordance with generally accepted accounting principals. ***Disclosures/Footnotes and Statement of Cash Flows are required.***
3. If audited, the audit must be conducted in accordance with the auditing standards generally accepted in the United States. The compilation and review must be conducted in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants, to include the disclosures/footnotes and Statement of Cash Flows.
4. Additional financial information if required by the Board under R4-39-108(F).

The following is the **minimum** financial information that must be submitted for the following type of entities:

Sole Proprietorship:

1. A current (not more than six months old) Statement of Financial Condition of the owner of the education entity.
2. For an existing educational entity: a set of historical financial statements (i.e. statement of financial condition, statement of activities/income with appropriate footnotes and statement of cash flows that are not more than six months old) for the past fiscal year.
3. A detailed, 2-year forecast of activities/income for the educational entity seeking licensure.

Partnerships:

1. A current (not more than six months old) Statement of Financial Condition for each partner having ownership.
2. For an existing educational entity: a set of historical financial statements (i.e. statement of financial condition, statement of activities/income with appropriate footnotes and statement of cash flows that are not more than six months old) for the past fiscal year.
3. A detailed, 2-year forecast of activities/income for the education entity seeking licensure.

Corporations:

A. Privately Held Corporations, Limited Liability Corporations, Limited Liability Partnerships:

1. Submit the most recent audited, reviewed or compiled financial statement of the educational entity seeking licensure. The statements must include a statement of financial condition, statement of activities/income and statement of cash flows reported on by a CPA with appropriate footnotes.
2. If the owners want the board to consider their personal finances in evaluating the overall financial strength of the entity, the owners must submit a letter committing their personal finances to support the institution and a Statement of Financial Condition for each owner with 20% or greater ownership interest. A Statement of Financial Condition is **required** for all 20% or greater owners of newly formed entities.
3. If the financial statements are more than six months old, the institution is required to submit the most current in-house financial statements.
4. If another corporation owns the entity seeking licensure, include the most current financial statement of the senior parent corporation.
5. A detailed, 2-year forecast of income/activities for the educational entity seeking licensure.

B. Publicly traded Corporations:

1. Submit the most recent audited financial statement of the educational entity seeking licensure. The statements must include a statement of financial condition, statement of activities/income and statement of cash flows reported on by a CPA with appropriate footnotes.
2. If the financial statements are more than six months old, the institution is required to submit the most current in-house financial statements. If another corporation owns the entity seeking licensure, also include the most current financial statements of the senior parent corporation
3. A detailed, 2-year forecast of income/activities for the educational entity seeking licensure.

C. Non-profit Corporations:

1. Submit the most recent audited financial statement on the educational entity seeking licensure. The statements must include a statement of financial condition, statement of activities/income and statement of cash flows reported on by a CPA with appropriate footnotes.
2. If the financial statements are more than six months old, the institution is required to submit the most current in-house financial statements. If another corporation owns the entity seeking licensure, also include the most current financial statement of the senior parent corporation.
3. A detailed, 2-year forecast of income/activities for the education entity seeking licensure.