Meeting Indicator 14.3
**Compilation**

**Schools with less than $2 million in total revenue**
may operate on a modified cash basis but must provide a compilation from an independent 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, etc.
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 suggest improvements.
4. Tax compliance—Review to determine compliance with tax requirements for federal and state filings, payroll records, compensation, property tax exemptions, etc.

No report is necessary other than the compilation.

**Financial Statement Review**

**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 school’s financial statements for them to be in conformity 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**

**Strongly recommended for schools with over $3 million in total revenue.**

The examination of a school’s financial statements and accompanying disclosures by an independent auditor (CPA). The result of this examination is a report by the 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 rational comparison, review of reconciliations of account balances, observation of fixed assets and inventory, examination of cash receipts and disbursement.

<table>
<thead>
<tr>
<th>Meeting Indicator 14.3</th>
<th>&lt; $2 Million in Total Revenue</th>
<th>$2 - $3 Million in Total Revenue</th>
<th>&gt; $3 Million in Total Revenue</th>
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<tbody>
<tr>
<td>Indicator 14.3: The school’s finances are reviewed by an independent CPA who has no vested interest in the school. The findings and recommendations are used to improve systems and operations, as appropriate.</td>
<td>● Use the modified cash or accrual basis of accounting. ● Use an independent CPA to provide a compilation within 12 months prior to the visit. Must do all the above to be considered “Effective.”</td>
<td>● Use the modified cash or accrual basis of accounting. ● Use a Financial Statement Review (or higher) within 12 months prior to initial and renewal of accreditation. ● Use an independent CPA. Must do all the above to be considered “Effective.”</td>
<td>● Use the accrual basis of accounting. ● Use a Financial Statement Review (or higher) within 12 months prior to initial and renewal of accreditation. ● Use an independent CPA. Must do all the above to be considered “Effective.”</td>
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<td>An audit is strongly recommended, but only required for “Highly Effective.”</td>
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