



STATE COUNCIL OF HIGHER EDUCATION FOR VIRGINIA

CHART OF ACCOUNTS

This chart of accounts is intended to give Career-Technical schools certified to operate in Virginia specific parameters for reporting financial information to SCHEV. It is recommended that each school follow this chart of accounts in its normal accounting, if it does not use the services of an accountant that conforms with GAAP, although it may develop a more detail breakdown of expense items for its own purposes or other minor variation in accounting policy appropriate to its particular circumstances. In submitting financial reports (other than audits) to SCHEV, however, all items must be reported in the manner prescribed in this chart of accounts without addition, deletion, or adjustment of line-items.

ACCRUAL BASIS ACCOUNTING

In accrual basis accounting, income is reported in the fiscal period it is earned, regardless of when it is received, and expenses are deducted in the fiscal period they are incurred, whether they are paid or not. In other words, using accrual basis accounting, you record both revenues and expenses when they occur. Accrual basis accounting is the method of accounting most businesses and professionals are required to use by law. Statements using the income tax or cash basis are unacceptable for SCHEV reporting purposes.

Income Statement

Educational Revenues

GROSS TUITION: total amount recorded as earned through offering complete or partial educational programs including government supported training grants or contracts exclusive of the deduction for TUITION REFUNDS and TEXTBOOK EXPENSE.

GROSS CONTACT REVENUE: total amount recorded as earned through offering single subject or corporate training exclusive of the deduction for TUITION REFUNDS and TEXTBOOKS EXPENSE.

TUITION REFUNDS: tuition or contact refunds applicable to the current period only. Refunds for prior years are treated as OTHER INCOME and EXPENSE-NET.

TEXTBOOK EXPENSE: if the tuition or contract price includes costs of textbooks, the incurred costs of textbooks should be deducted from GROSS TUITION and entered here. If a separate bookstore operations is maintained, it should be reported in BOOKSTORE OPERATIONS-NET.

Educational Expenses

INSTRUCTIONAL SALARIES: includes all salaries for deans, department chairs, instructors (full- and part-time), librarians, registrar, teacher aides, and readers; payroll taxes for related salaries; fringe benefits costs for related salaries; contract services for educational purposes and worker's compensation insurance for the entire institution.

INSTRUCTIONAL EXPENSE: includes all costs of providing the faculty with the physical supplies of instruction such as paper, pencils, equipment maintenance, computer rental (if used for instruction, any non-

educational income derived from this source should be deducted), professional meetings, travel to professional meetings, instruction travel expense, field trips, all personal property taxes, other instructional expense, and library expense.

STUDENTS RECRUITMENT: includes all salaries of sales managers, admissions representatives, payroll taxes for related salaries, fringe benefits costs for related salaries, advertising (includes all media such as newspaper, Yellow pages, radio, television, direct mail, magazine), promotional expense, sales travel expenses, catalogs and brochures, mailing and mailing lists, printing supplies, public relations expenses; advertising agency fees, sales business meeting expenses, and salesmen's licenses and bonds.

DEPRECIATION OF EQUIPMENT: allocation of costs of depreciation for all equipment used for educational purposes.

OCCUPANCY EXPENSE: Includes all rent and lease charges on major facilities used for educational purposes, depreciation of such facilities, building repairs and maintenance, janitorial services and supplies, all insurance charges (except worker's compensation which is listed under Instructional Salaries), real property taxes, utilities, janitorial salaries, payroll taxes for related salaries, and fringe benefits costs for relates salaries.

ADMINISTRATIVE SALARIES: includes all salaries paid to financial personnel (financial aid officer, loan manager, controller, accountant, account collector), secretaries, receptionists, veterans coordinators, and clerks; payroll taxes for related salaries; and fringe benefits cost for related salaries.

OFFICER SALARIES: salaries to all corporate officers who are not accounted for in other categories. Related payroll taxes and fringe benefits also should be included. If the on-site administrator is not an officer, the school director's salary should be included.

ADMINISTRATIVE EXPENSE: all cost appropriate to the overall function of the school not attributable to instruction and student services. Includes memberships in associations, audit and legal fees, travel and business meetings expenses, corporate auto expenses, office supplies, board of directors fees, charitable contributions and donations, all scholarships, temporary help, other personnel costs, bad debt expense, and the distributive expense allocation of institutions with a central corporate office.

STUDENT PERSONNEL SERVICES: includes all salaries for placement and counseling personnel, payroll taxes and fringe benefits for placement and counseling personnel, placement travel expense, testing expense, student social events, student publications costs, student government expenses, student athletic events, salaries for athletic coaches, payroll taxes for athletic coaches, fringe benefits for athletic coaches, student health services, salaries for health service personnel, payroll taxes for health service personnel and fringe benefits for health service personnel.

Other Income and Expenses

DORMITORY INCOME-NET: the account is to be used to report the net effect of a school dormitory operation, including both board and room. Includes board and room fees, rent, depreciation, supplies, salaries, taxes and fringe benefits, vending machine operations, repairs and maintenance on dormitory, personal and property taxes, insurance, and other items appropriate to dormitory operations.

BOOKSTORE OPERATIONS INCOME – NET: the account is to be used to report the net effect of a bookstore operation. Includes income from sales of books, supplies and other items, cost of goods sold, and other expenses attributed to bookstore operations.

INTEREST INCOME & EXPENSES – NET: the account is to be used to report interest earned on assets owned by the institution and the interest expense on liabilities owed. (Perkins Loan interest should not be included here until actually received.)

OTHER INCOME & EXPENSE – NET: the accounts is to be used for any other income or expenses that is not otherwise appropriate for the operating accounts listed above. For example, amortization of goodwill and organization expense, administrative fees for federal programs and dividends received, and sale of fixed assets.

EXTRAORDINARY AND UNUSUAL INCOME & EXPENSE – NET: an extraordinary event is both unusual (unrelated to normal course of business activities) and infrequent (not likely to recur in the foreseeable future). Items in this category would include losses due to a natural catastrophe, expropriations, or a prohibition under a newly enacted law or regulations. Gains or losses from an activity not normally associated with the activities of a school, but continued on a recurring basis, would come under this category. This category also includes disposal of a segment of a business, where there is a gain or loss on the sale of a subsidiary corporation, or a component of a business whose activities represent a separate major line of business.

FEDERAL & STATE INCOME TAXES: the amount of combined federal and state income taxes paid by the institution. If the institution has tax credits from prior year's losses, the actual tax liability for the year should be listed.

Balance Sheet

Assets

Current Assets

CASH ON HAND AND IN BANKS – UNRESTRICTED: cash available for immediate operational use.

CASH – RESTRICTED: cash on hand subject to restrictions placed on it by federal programs and other restricted cash not available as of the this date for operational use. (This account may not be used for Perkins Loan funds. Separate trust funds should handle this item.)

ACCOUNTS RECEIVABLE, STUDENTS - NET: account is to contain amounts due to the school from students for all charges, including tuition, textbooks, supplies, and dormitory fees.

ACCOUNTS RECEIVABLE, RELATED PARTIES: account contains amounts owned by subsidiaries, stockholders, management and members of their immediate families, and other parties where the party owed has the ability to significantly influence the managements or operating policies of the institution.

ACCOUNTS RECEIVABLE, OTHER: account contains amounts due to the institution that are not better classified as receivables from students or related parties.

NOTES RECEIVABLE, RELATED PARTIES: account contains amounts owed to the institution under the same conditions as for ACCOUNTS RECEIVABLES – RELATED PARTIES, except that the funds are secured by a signed promissory note.

INVENTORY-BOOKS AND SUPPLIES: account contains the cost of textbooks and supplies held for resale to students. Inventory cost methods is optional, but the method used should be reported. Schools using revolving issuance plans should value this asset annually under REVOLVING BOOK ACCOUNT.

TEMPORARY INVESTMENTS: to be used only for investments made with the intent of converting to cash in less than one year. For example: certificates of deposit, stocks, bonds, and commodities.

PREPAID EXPENSES – CURRENT: amounts paid for future services that will be absorbed as expenses during the current fiscal period.

OTHER CURRENT ASSETS: only 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. All significant items should be specifically identified.

Fixed Assets

BUILDINGS: original acquisition costs to present owner of classroom buildings and dormitories devoted to educational purposes. Appraisal value changes shall be handled in separate accounts, and the method of appraisal shall be specified. If purchased under one price, the value of land shall be entered in LAND. However, the cost of land improvements, such as parking lots, can be included in BUILDINGS since improvements are subject to depreciation. The cost of the land held for future use shall be recorded in an asset account listed under OTHER ASSETS.

ACCUMULATED DEPRECIATION – BUILDINGS: depreciation of BUILDINGS. Method of depreciation is optional, but method used should be disclosed.

FURNITURE AND EQUIPMENT: original acquisition cost to present owner of removable furniture, fixtures, and equipment appropriate to an educational institution.

ACCUMULATED DEPRECIATION – FURNITURE AND EQUIPMENT: depreciation of FURNITURE AND EQUIPMENT. Method of depreciation is optional, but method used should be disclosed.

LAND: original acquisition cost to present owner of land used for educational purposes. Appraisal value changes should be handled in separate accounts, and the methods of appraisal shall be specified. The cost of land improvements, such as parking lots, can be included in BUILDINGS because such improvements are subject to depreciation. The cost of land held for future use shall be recorded in an asset account listed under OTHER ASSETS.

OTHER FIXED ASSETS: original acquisition cost to present owner of fixed assets used for educational purposes not fitting the assets accounts listed above.

ACCUMULATED DEPRECIATION – OTHER FIXED ASSETS: depreciation of OTHER FIXED ASSETS. Method of depreciation is optional, but method used should be disclosed. Note: Not-for-profit corporations must depreciate fixed assets as required by FASB Statement of Position 78-10.

Other Assets

DEPOSITS: amounts paid for security deposits such as utilities.

PREPAID EXPENSES – SUBSEQUENT PERIODS: amount paid for future services that will not be absorbed as expenses during the current fiscal period. This account also may be classified as a CURRENT ASSET.

GOODWILL: should be recorded only if there is direct evidence of an actual purchase. Write-ups of estimated intangible values are to be avoided. An example of a valid recording of goodwill can occur when the purchase price exceeds true value of tangible assets acquired. Generally, goodwill purchased is judged to have a relatively short life. Therefore, it should be amortized over a period of four to five years.

REVOLVING BOOK ACCOUNT: institutions issuing and retrieving textbooks for reissue should use this account for the residual value of such textbooks.

PERKINS LOAN MATCHING FUNDS: the institutional share of Perkins Loan matching funds should be recorded in this account. Interest income on this account should be recorded until actual cash has been received by the separate Perkins Loan Fund and disbursed to Perkins Loan Matching Fund

OTHER ASSETS: original acquisition cost to present owner of assets judged to be in a category not fitting the asset accounts listed above. For example, land not now used but held for future use.

Liabilities

Current Liabilities

ACCOUNTS PAYABLE – TRADE: amounts owed to creditors on open account for regular operational obligations to be paid in the normal course of business operations.

NOTES PAYABLE - EQUIPMENT: amounts owed to creditors under promissory notes for equipment purchased under installment contracts and due within the next operating period.

NOTES PAYABLE – OTHER: amounts owed to creditors under promissory notes for other than equipment and due within the next operating period.

TUITION REFUNDS PAYABLE: amounts owed to a withdrawn student for unused tuition and other charges in accordance with the institution's refund policy which must comply with the tuition refund policy as stated in 8 VAC 40-31-160 (M). If an accredited institution, the refund policy must adhere to the accrediting bodies criteria.

CURRENT PORTION-LONG TERM DEBT: amount of long -term liabilities owed within current fiscal year. For example, annual serial payoffs of a mortgage or long-term note payable.

PAYROLL TAXES PAYABLE: amounts owed by the institution on institutional share and amounts collected from employees for federal, state, and local payroll taxes.

ACCRUED SALARIES PAYABLE: Amounts owed to employees for wages and salaries earned by them but not yet paid.

UNEARNED TUITION: That 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 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.

The industry-standard method for calculating unearned tuition is to earn tuition revenue ratably over the period of the student contract. Further, it is rare that unearned tuition can be deferred into future periods and be treated as a long -term or other liability. Institutions which obligate students on a term- by -term basis have no long -term unearned tuition. Institutions should disclose the methods by which unearned tuition is calculated on the back page of the balance sheet.

UNEARNED DORMITORY FEES: An account parallel to UNEARNED TUITION but applicable to unearned dormitory fees.

OTHER CURRENT LIABILITIES: Obligations of the school not fitting the liability accounts listed above.

Long-Term Liabilities

NOTES OR BONDS PAYABLE: Obligations, secured or unsecured, of the institution evidenced by contractual documents, that portion of which is not due or payable within succeeding fiscal period.

MORTGAGE PAYABLE: Same as NOTES OR BONDS PAYABLE, but secured by real property.

OTHER LONG-TERM LIABILITIES: Long-term obligations not fitting NOTES OR BONDS PAYABLE or MORTGAGE PAYABLE listed above, such deferred income taxes.

STOCKHOLDER'S EQUITY OR NET ASSETS (NON-PROFITS)

* Please explain any changes from prior year results for accounts marked with an asterisk.

*PREFERRED STOCK: Value recorded as contributed capital for preferred stock.

*COMMON STOCK: Value recorded as contributed capital for issued stock

*OTHER EQUITY: This account is provided for purposes other than prescribed for PREFERRED STOCK or COMMON STOCK and the retained earnings items, such as Paid -In Capital. This account shall also be used for nonprofit organizations which utilize only a single equity account.

*RETAINED EARNINGS-BEGINNING BALANCE This account represents the balance of retained earnings as of the end of the previous fiscal period.

EARNINGS FOR YEAR: The amount of earnings (or loss) during the current fiscal period.

DIVIDENDS: The amount withdrawn from the institution for common stock dividends or preferred stock dividends. (Owners' salaries should not be included there. Instead, they should be included in the normal operating expense category. Distributions to owners of "S" corporations could be included here.)

OTHER RETAINED EARNINGS CHANGES: Changes in retained earnings not fitting into EARNINGS FOR YEAR and DIVIDENDS, such as prior-year adjustments and treasury stock transactions.