

**TEXAS WORKFORCE COMMISSION CAREER SCHOOLS AND COLLEGES  
EVIDENCE NECESSARY TO ESTABLISH FINANCIAL STABILITY(EFS) FOR A NEW  
SCHOOL**

**GIVE THESE INSTRUCTIONS TO YOUR CPA FIRM**

**(Licensed Texas CPA Firms may be found at the Texas State Board of Public Accountancy Website)**  
<http://www.tsbpa.state.tx.us/general/database-search.html>

Please note, an accountant with an individual Texas CPA certificate and license may not provide attest services without a firm license issued by the Texas State Board of Public Accountancy (the Board) per the Public Accountancy Act. "Attest service" includes an audit, review, compilation, or other assurance engagement that must be performed in accordance with standards promulgated by the American Institute of Certified Public Accountants, or other accountancy organization recognized by the Board.

**The type of school ownership structure determines the type of financial statements that must be submitted. Specific requirements for each type of ownership are outlined below:**

**SOLE PROPRIETORSHIP (NO FORMAL ORGANIZATION)**

A **reviewed personal balance sheet** (statement of financial position) with notes that disclose the amount of payments for the next five years, by year, to meet debt agreements as required by Generally Accepted Accounting Principles (GAAP).

**ALL OTHER OWNERSHIP STRUCTURES**

One of The Following Must Be Submitted:

1. A **balance sheet audited** in accordance with generally accepted auditing standards (GAAS) and in conformance with GAAP, prepared by a certified public accountant firm.

**OR**

2. **Financial statements audited** in accordance with GAAS and in conformance with GAAP, by a certified public accountant firm. These statements must include the balance sheet; statement of results of operation, which includes a statement of income and retained earnings; statement of cash flows; and all notes required by GAAP.

**SUBSIDIARY OF A CORPORATION**

The **audited financial statements** for the parent corporation may be used to establish financial stability for the school if the statements are accompanied by a certified resolution of the parent corporation's board of directors to the effect that the parent corporation assumes full responsibility for ensuring that each student enrolled in the subsidiary school receives either the training agreed upon or a refund as provided in the Career Schools and Colleges Act. Financial statements must be consolidated statements for the entire corporation, including all divisions, for which submitted.

**GENERAL NOTES**

For all submissions, the balance sheet/financials must be submitted within four (4) months of the statement date. If more than four (4) months have elapsed since the financial statement date, a separate balance sheet or financials for a period close within four (4) months, which has been compiled, reviewed, or audited by a CPA firm, must also be submitted. The compiled balance sheet/statements must contain at least one note

disclosing the current and long-term liabilities. This note shall be similar to that required by GAAP for reviewed and audited statements.

If the owner of this school has a certificate of approval for another school and acceptable financials have been received, only the expected school-related expenses for the first three months of operation of the school and projection of the gross amount of tuition and fees to be collected during each of the first two years of operation, along with the signed and notarized true and correct statement are required to be submitted.

**Instructions:** \*\* Pages 2 and 3 must be **Completed, Signed, Notarized and Submitted** with your application for a certificate of approval, or the application will be **Returned as Incomplete.** \*\*

**REQUIRED STATEMENTS**

<b>Instructions: By initialing each statement below, I certify that the statements are true and correct.</b>	<b>Initial</b>
The reviewer's report identifies the firm name, license number, and licensing state of the CPA firm and be conducted in accordance with SSARSs promulgated by the Accounting and Review Services Committee of the AICPA. <b>(Sole Proprietorship Only)</b>	

**OR**

The auditor's report identifies the firm name, license number, and licensing state of the CPA firm and be conducted in accordance with the with generally accepted auditing standards of the United States of America.	
<b>The balance sheet required in this subchapter shall reflect the following:</b>	
Positive equity or net worth balance. <b>(Equity or net worth is greater than \$0)</b>	
A current ratio of at least one-to-one. <b>(Current assets are equal to or exceed current liabilities)</b>	
If applicable, equity or net worth exceeds the amount shown for goodwill in assets. <b>(Equity or net worth is greater than the amount of goodwill reflected on the balance sheet)</b>	
There are no past due liabilities.	

**ADDITIONAL REQUIREMENTS**

Instructions: Attach a list of the expected school-related expenses for the first three months of operation of the school, by month and input the totals in the table below. Projected expenses may include the following:

(1) employee salaries, listed by position title, including withholding, unemployment taxes, and any other related expenses;	3 Month Expenses:
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(2) lease payments for equipment listed by the name of the equipment;	
(3) lease payments for facilities;	
(4) accounting, legal, and other specifically identified professional fees; and	
(5) an estimate of other expenses such as advertising, travel, textbooks, office supplies, classroom supplies, printing, telephone, utilities, taxes, and sales commissions.	

### BUSINESS ENTITY

Projection of the gross amount of tuition and fees to be collected during each of the first two years of operation:

Year 1 \$ \_\_\_\_\_

Year 2 \$ \_\_\_\_\_

The fiscal year end (FYE) that will be used for future financial statements is: \_\_\_\_\_

I, \_\_\_\_\_, \_\_\_\_\_ of  
**Printed name of owner or representative** **Title of the owner or representative**

\_\_\_\_\_ Affirm that I (we) will provide sufficient funds to cover the expenses  
**name of the company or business**  
 projected above.

<b>I swear or affirm that the information contained herein, and in the attached financial statements are true and correct to the best of my knowledge.</b>	Printed name _____
	Signature _____
State of _____	County of _____
This instrument was acknowledged before me on (date) _____	By (name of person acknowledging) _____
(Seal)	Notary Public Signature _____
My commission expires: _____	

**Financial statements collected by the Texas Workforce Commission are public information and public records as defined by the *Texas Open Records Act, Government Code, Section 552.001, et. seq.***