

FINANCIALS

The application must consist of 4 financial documents:

1. The PDE-2006 form must be completed. This is an income statement and profit and loss statement. This is an actual financial statement for the school. It must be completed in the name of the school (not another related business) and it must show actual financial data for the school. ***This form is not a projection.*** It cannot show only zeroes. It must show capitalization (at least enough to cover 4 months of operating costs without relying on tuition revenue) and it must show actual expenses related to opening the school.

The PDE-2006 should be submitted electronically. The form and detailed instructions are available at:

ftp://ftp.state.pa.us/pub/PDE_PUBLIC/PLS_Financial/

E-mail the completed form to:

ra-plsfin@state.pa.us

2. The parent financials must be provided. If this is a sole proprietorship, parent financials will be the owner's personal financials. If the school will be owned by a corporation, a corporate financial statement must be provided. This may be an annual audited statement.
3. Evidence of the capital should be provided. This may be a bank statement. This should be capital that is allocated to the school, not another related business. The account should be in the school's name.
4. A pro-forma projection of income and expenses must be provided. This is a projection. No form is provided for this report. It must be detailed. In addition to the financial assessment, this document must demonstrate an understanding of the cost involved in launching and running a school.

FINANCIAL NOTES

New School Applicants

- **Please submit all reports and supporting documents as requested.** Failure to submit a report or failure to submit a complete report can result in a delay in your application process.
- **Please submit all financial reports on time.** Late reports will delay approvals.
- **If the forms are not easy for you to understand and prepare, please consult an accountant.** Submission of financial statements that are not completed correctly and in accordance with standard accrual accounting practices will result in delays and might result in a requirement to submit compiled, reviewed or audited statements at a significant expense.

PRO FORMA

- **Do not submit your pro forma on the PDE-2006 form.** There is no official form for the pro forma. The pro forma is a monthly projection of the costs and revenue you anticipate. (Contact the Division of Private Licensed Schools if you need sample pro formas.)
- **Include all expenses you can realistically anticipate on the pro forma.** Consult the instruction sheet for Chart of Accounts and sample pro formas for indications of the types of expenses you need to consider in the preparation of your pro forma. If the Board or Financial Review Committee determine that you have not taken realistic expenses into account, your application could face delays or it might not be approved.
- **Include marketing costs.** Make sure your marketing costs are realistic. Do not show immediate revenue on your pro forma without allowing the time and expense needed to recruit your first class.

- **Consider attrition in calculating revenue.** Do not reflect anticipated revenue that assumes that each class will enroll the maximum amount of students and maintain all of these students through to graduation.

PDE-2006

- **An actual financial statement for the school itself must be provided.** It is very highly recommended that this statement be submitted on the PDE-2006 form. If you use a different format, it will not be accepted unless it includes a standard income statement and balance sheet. It must include every element requested on the PDE-2006 form.
- **The financial statement must be current.** It cannot be more than 6 months old on the date of review.
- **Income statement:** If the school is in operation (providing contract training or other training not requiring licensure), the PDE-2006 should reflect the most recent year. If the school is not in operation, do not put zeroes on the entire income statement. Expenses such as rent, license fees, attorney fees, accountant fees, administrative expenses, facility upgrades, equipment, utilities, etc. are examples of school expenses that should be reflected on the income statement even if the school is not in operation yet.
- **Please be sure your report is complete.** If you have a strong financial background, the balance sheet and income statement required on the PDE-2006 form should be easy to submit. If you are not certain about the preparation of the financial statements, please consult an accountant.
- **Please note that every line and section on the PDE-2006 should be completed.** Please use a zero rather than leaving a blank space.
- **Do not leave any sections blank.** For example, a financial statement will be considered incomplete if the liabilities section is blank or totals zero liabilities. In the extremely rare case that the school has no liabilities, please include notes to explain. A compiled, reviewed, or audited statement may be required if the report is not complete.

- **Do not leave the disclosures section blank.** The report will be considered incomplete.
- **The Financial Review Committee requires that the school have enough unrestricted cash on-hand to cover at least 4 months of operating expenses plus the acquisition of all necessary equipment and supplies without relying on tuition revenues.** This requirement demonstrates the school's financial viability. Refer to your pro forma to calculate the first 4 months of operating expenses. Do not underestimate the operating costs on the pro forma. Indicate the cash available to the school to launch the operation on the PDE-2006 form. It is also advisable to provide evidence, such as a bank statement, to demonstrate the availability of the start-up capital. The Committee may have questions if the amount of start-up capital is exactly equal to the estimated cost of operating the school for 4 months. Please provide accurate and realistic numbers.
- **The balance statement must balance.** If you do not know how to determine if your balance statement balances, please consult an accountant. If the balance statement does not balance, there is a good chance that a compiled statement will be required. A compiled statement must be prepared by an accountant and it is more expensive than the cost of a routine consultation. If you have any questions, it is more cost-effective to consult with an accountant now rather than be required to produce a compiled statement later.

OTHER FINANCIAL STATEMENTS

- **"Parent" financial statements are also required.** If the school is owned by a sole-proprietor, a personal income tax statement is required. If the school is owned by a corporation, the corporate financial statement is required. This can be the most recent audited statement.