

**2860.1400 FINANCIAL STATEMENTS.**

Subpart 1. **Preparation.** All financial statements required by these rules shall be prepared in accordance with generally accepted accounting principles. Financial statements shall be audited by an independent certified public accountant who shall express an opinion thereon, except where these rules permit the use of unaudited statements for interim periods or otherwise. Any financial statement prepared in accordance with the rules and requirements of the Securities and Exchange Commission shall satisfy the requirements of this part; provided, however, that the statements are audited by an independent certified public accountant who expresses an opinion thereon.

Subp. 2. **Type of statement required.** Whenever in these rules financial statements of a franchisor or other person are required without further description, such requirement refers to a balance sheet as of the end of the franchisor's most recent fiscal year, as well as an income statement and a statement of changes in financial position for the 12-month period preceding the date of the balance sheet. If the fiscal year end of the franchisor is in excess of 90 days prior to the date of filing the application, the financial statements shall also contain a balance sheet, income statement, and statement of changes in financial position as of a date within 90 days of the date of filing the application; provided, however, that such interim statements need not be audited.

Subp. 3. **Out of date.** If amendments or other delays cause the financial statements described in subparts 1 and 2 to become more than four months old as of the effective date of the registration statement, then updated financial statements as of a date within four months of the effective date shall be filed if the franchisor has no established record of earnings or is currently showing losses or a weak financial condition. If the franchisor has an established record of earnings and is in sound financial condition, a paragraph containing later information as to sales, net income, and financial condition may be added in lieu of updating the financial statements, in the discretion of the commissioner. However, in no case shall the financial statements be more than six months old as of the effective date of the registration statement. If a delay carries the effective date beyond the end of the franchisor's fiscal year, and by applying due diligence the registrant and accountant can have the audit completed prior to the effective date, certified statements should be filed as of the end of the fiscal year.

**Statutory Authority:** *MS s 80C.18*

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