



COUNCIL FOR
HIGHER EDUCATION
ACCREDITATION

2011 - 2012
ANNUAL REPORT

CHEA®

The Council for Higher Education Accreditation Mission Statement

The Council for Higher Education Accreditation will serve students and their families, colleges and universities, sponsoring bodies, governments and employers by promoting academic quality through formal recognition of higher education accrediting bodies and will coordinate and work to advance self-regulation through accreditation.

—1996

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Letter from the Chair and the President

Dear Colleagues:

2011-2012 was another year of accomplishment for the Council for Higher Education Accreditation (CHEA) in areas ranging from government affairs to recognition of accrediting organizations to a growing international presence. In all of these activities, CHEA served as a strong advocate for higher education accreditation.

Each year, CHEA's advocacy takes the form of meetings with Congress and the Administration, letters and formal comments to the federal and state governments, speeches and presentations across the United States and around the world, publications, videos and information on the CHEA Website and an increasing presence on social media such as Facebook and Twitter. CHEA provides a strong and consistent voice, making the case for accreditation's value to society.

CHEA's 3,000 member institutions support us both through their dues and their active involvement in the organization. This support continues to grow. Last year, 223 colleges and universities across the country either joined CHEA for the first time or returned after not being members in 2010-2011. CHEA's 2012 Annual Conference was our best-attended meeting ever. And, numerous CHEA member institutions participated in activities such as the *CHEA Initiative's* online survey regarding the issues of greatest importance for accreditation.

Member institutions also amplify CHEA's voice on accreditation and its value by posting CHEA publications and videos on their Websites, ensuring that more students, parents and others have access to information on accreditation and its value.

Please take a few minutes to read this year's annual report and learn more about what CHEA, with our members, accomplished in 2011-2012.



David G. Carter
Chair, Board of Directors
Chancellor Emeritus
Connecticut State University System



Judith Eaton
President
Council for Higher
Education Accreditation

2011-2012: Addressing the Challenges, Preparing for the Future

In 2011-2012, CHEA activities ranged from the work accomplished during the final year of the *CHEA Initiative*, government affairs work with Congress and the Administration to recognition of accrediting organizations. CHEA also continued to serve as “Accreditation Central,” an outstanding source of national-level information on accreditation, as well as expanded the organization’s international engagement. The result was a year of significant accomplishment for CHEA on behalf of its 3,000 member colleges and universities.

The *CHEA Initiative*

2011-2012 was the final year of the [CHEA Initiative](#), an unprecedented national conversation engaging 2,500 colleagues around the country on the future of accreditation. The *Initiative* was launched by CHEA in 2008 to build consensus for action on the issues of greatest importance to the accreditation and higher education communities in advance of the anticipated reauthorization of the Higher Education Act (HEA) in 2013 or thereafter.

Deliberation by the *CHEA Initiative’s* participants resulted in near unanimity about the two goals of the *Initiative*: the need to further enhance accountability within accreditation and to work to sustain an appropriate balance in the accreditation-federal government relationship. Based on the results of the *CHEA Initiative*, the CHEA Board of Directors approved actions addressing the major issues that emerged in the discussions as most important to participants. These included restating and reframing the division of responsibilities between government and accreditation, initiating an accreditation advocacy campaign and developing a CHEA International Quality Group (see below).

During this period, the *CHEA Initiative* hosted five CEO/CAO Roundtables with member institutions, met with 22 accrediting commissions, held eight National Accreditation Fora and conducted a student focus group for a total of 36 meetings.

Government Affairs

Through its government affairs activities at the U.S. Department of Education (USDE) and the U.S. Congress, as well as with state legislatures, CHEA works to address legislative and regulatory issues of key importance to higher education accreditation.

A major focus in 2011-2012 was the review and [report](#) outlining accreditation policy recommendations carried out by the National Advisory Committee on Institutional Quality and Integrity (NACIQI), USDE’s advisory body on recognition of accrediting organizations. This report was requested by USDE Secretary Arne Duncan to examine “what is working and not working” in the current system of recognition and accreditation. CHEA President Judith Eaton [testified](#) at the committee’s December 15, 2011 meeting to discuss the draft policy report. CHEA also provided [comments](#) to NACIQI and coordinated two letters from the accreditation community, submitted on [November 23, 2011](#) and on [March 16, 2012](#).

CHEA played a role in developing [H.R. 2117](#), a bill passed by the U.S. House of Representatives on February 28, 2012 to repeal USDE’s regulations that establish a federal

definition of credit hour. CHEA made the case that defining the credit hour is the primary responsibility of the academy, not government. The bill also repealed new requirements for state authorization, which CHEA opposed as burdensome and unworkable. Additionally, CHEA supported a companion bill in the U.S. Senate, [S. 1297](#). The House bill was passed and the Senate bill remained in committee as of June 30, 2012.

CHEA also continued to support legislation to combat degree mills and accreditation mills and to reduce and prevent the sale and use of fraudulent degrees in order to protect the integrity of valid higher education degrees. While [H.R. 1758](#), (the “Diploma and Accreditation Integrity Act”) was not passed in 2011-2012, CHEA shared the bill with governors and attorneys general in various states as an example of effective legislation addressing degree mills and making their operation more difficult.

International Activities

CHEA President Judith Eaton participated in a number of international meetings and conferences throughout 2011-2012, including addressing a conference in Erbil, Iraq, hosted by the International Institute of Education, in conjunction with the Iraqi Scholar Rescue Fund and the Center for International Partnerships in Higher Education, on standards in quality assurance and accreditation and served as keynote speaker at the annual conference of the Alliance of Universities for Democracy held in Dubrovnik, Croatia. Eaton also served as a member of the Quality Assurance Council of the University Grants Committee in Hong Kong.

As part of its ongoing international activity, CHEA also provided information on U.S. accreditation to delegations from nations around the world. In 2011-2012, CHEA staff made presentations on U.S. accreditation and recognition to international visitors from countries including Afghanistan, China, Finland, Iraq, Japan, Kenya, Nicaragua, Saudi Arabia and Trinidad and Tobago.



Attendees at the CHEA 2012 International Seminar network at the opening reception.

[The CHEA 2012 International Seminar](#), held January 26-27, in conjunction with the CHEA 2012 Annual Conference, drew participants from 28 countries and addressed issues related to international quality assurance and the role of accreditation.

During 2011-2012, the CHEA Board of Directors approved the establishment of a CHEA International Quality Group (CIQG) to bring together people, ideas and resources from around the world to support institutions and accrediting or quality assurance organizations in tackling tough issues such as defining quality, addressing rankings and combating degree mills and accreditation mills. The CIQG will be launched in 2012-2013.

CHEA Recognition of Accrediting Organizations

CHEA has been engaged in recognition of accrediting organizations since 1999. This review involves scrutiny of their activities to determine whether accreditors meet standards in CHEA’s recognition policy. CHEA-recognized accrediting organizations undergo a review every ten years, at a minimum.

During 2011-2012, the CHEA Committee on Recognition conducted 11 reviews of accrediting organizations seeking eligibility for CHEA recognition and 16 reviews of organizations seeking recognition. The committee also acted to defer recognition of five accrediting organizations and received seven special reports. In all, 31 accrediting organizations came before the committee during the year, some of these on more than one occasion. Some of these accrediting organizations were seeking [CHEA recognition](#) for the first time; others previously have been recognized by CHEA.

CHEA continued to expand information on accreditation that is readily available and accessible to the public, placing summaries of recognition decisions and the reasons for those decisions on the CHEA Website and distributing this information by email.

CHEA Conferences and Meetings

Each year, CHEA conferences and meetings bring together hundreds of participants from across the United States and around the world to hear speakers, discuss ideas and exchange information on vital issues for higher education accreditation and international quality assurance.

The [CHEA 2012 Annual Conference](#), held January 23-26 in Washington, DC, featured speakers from government, higher education institutions and accrediting organizations, including Under Secretary of Education Martha Kanter and a panel composed of NACIQI Chair Jamiemme Studley and NACIQI members Susan Phillips and Cameron Staples. The annual conference also included the eighth and final National Accreditation Forum that has been part of the work of the *CHEA Initiative*.

The CHEA 2012 Summer Workshop was held June 21-22 in Washington, DC. Participants heard remarks from speakers representing colleges, universities, accrediting organizations and government, including Assistant Secretary of Education Eduardo Ochoa and Joshua Kim, Director of Learning and Technology at Dartmouth College's Master of Health Care Delivery Science Programs addressing the emerging issue of Massive Open Online Courses.



Cameron Staples, Member of the National Advisory Committee on Institutional Quality and Integrity (NACIQI), Jamiemme Studley, Chair of NACIQI, and Susan Phillips, Chair of NACIQI's Accreditation Policy Subcommittee, participated in a plenary session at the CHEA 2012 Annual Conference.

The CHEA Award

The *CHEA Award for Outstanding Institutional Practice in Student Learning Outcomes* annually recognizes institutions and programs for their outstanding practice in gathering information on student learning outcomes and using this information for institutional improvement. This information is then provided to the public to help other institutions and programs seeking to make gains in this important area.

This year, the [2012 CHEA Award](#) was presented to the Georgia Institute of Technology (GA), Rio Salado College (AZ) and the University of California, Merced (CA).

CHEA also launched [Effective Institutional Practice in Student Learning Outcomes: CHEA Award Recipients](#), an online publication with information on each of the 25 institutions and programs that have received the *CHEA Award* since it was established in 2005.

Keeping Members and the Public Informed

As “Accreditation Central” – a repository of national-level information about accreditation practice, policy and politics – CHEA serves as an unsurpassed resource of information on accreditation for member institutions, accrediting organizations, higher education associations and the public.

The [CHEA Website](#) provides a wealth of descriptive and analytic information on higher education accreditation and quality assurance worldwide. CHEA’s [Federal Update](#) provides in-depth material on activities by the U.S. Congress and USDE, while [Inside Accreditation](#) offers thoughtful analysis by CHEA President Judith Eaton on issues related to accreditation.

In 2011-2012, CHEA issued publications including [Accreditation and Accountability: Looking Back and Looking Ahead](#) and [Quality Assurance in the Twenty-First Century and the Role of the Council for Higher Education Accreditation](#), designed to examine higher education accreditation and the challenges and opportunities ahead.

Since its launch in 2003, the [CHEA Database of Institutions and Programs Accredited by Recognized United States Accrediting Organizations](#) has served as an indispensable information resource, listing more than 8,200 degree-granting and non-degree-granting institutions and more than 20,400 programs (as of June 30, 2012). The *Database* is visited nearly a million times each year by students, parents, employers and others seeking information on the accredited status of institutions and programs throughout the country.

Looking Ahead

In the year ahead, CHEA will continue its leadership and advocacy for accreditation. CHEA will work to provide information and assistance to Congress, USDE and the states on accreditation-related issues. A particular focus for CHEA will be preparing for the reauthorization of the Higher Education Act, expected to begin in 2013 or thereafter.

With the conclusion of the *CHEA Initiative*, CHEA will focus on the implementation of an action plan to address key issues and provide progress on the two major goals of the *Initiative*: to enhance accountability in accreditation and to sustain a balance and distinction between accountability to the federal government and the academic work of accreditation.

The Committee on Recognition will continue its work as approximately 30 additional accrediting organizations seek initial CHEA recognition.

CHEA’s focus on quality assurance internationally is expanding with the launch of the CIQG in 2012-2013. The year’s activities will include the first CIQG Annual Meeting and members-only publications including the newsletter *Quality International*.

CHEA will continue to provide leadership and advocacy on the issues, challenges and opportunities facing higher education accreditation and quality assurance, in the United States and around the world.



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INDEPENDENT AUDITOR'S REPORT

August 27, 2012

To the Board of Directors
Council for Higher Education Accreditation
Washington, DC

We have audited the accompanying statement of financial position of Council for Higher Education Accreditation (the Council) (a non-profit organization) as of June 30, 2012, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Council as of June 30, 2011 were audited by other auditors whose report, dated August 24, 2011, expressed an unqualified opinion on these statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of June 30, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Regardie, Brooks & Lewis

Certified Public Accountants

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
WASHINGTON, DC

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2012	2011
Cash and cash equivalents (note 3):		
Undesignated	\$ 2,634,743	\$ 2,343,172
Designated (note 5)	1,884,744	1,692,223
Cash and cash equivalents	4,519,487	4,035,395
Accounts receivable	7,750	24,770
Accrued interest receivable	3,371	4,118
Prepaid expenses	29,962	33,402
Investment in nonqualified employee benefit plan (note 10)	228,861	206,128
Property and equipment, net (note 4)	148,896	170,785
Trademark and copyright costs, net	2,366	2,883
 Total assets	 \$ 4,940,693	 \$ 4,477,481

LIABILITIES

Accounts payable and accrued expenses	\$ 171,043	\$ 173,315
Deferred revenues	1,280,660	1,197,125
Deferred rent	69,649	66,837
Obligation under nonqualified employee benefit plan (note 10)	228,861	206,128
 Total liabilities	 1,750,213	 1,643,405

NET ASSETS

Unrestricted net assets (note 5)	3,190,480	2,834,076
 Total liabilities and net assets	 \$ 4,940,693	 \$ 4,477,481

See the accompanying independent auditor's report.
The accompanying notes are an integral part of these financial statements.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
WASHINGTON, DC

STATEMENTS OF ACTIVITIES

	Years ended June 30,	
	<u>2012</u>	<u>2011</u>
<u>Unrestricted net assets:</u>		
<u>Revenues:</u>		
Membership dues	\$ 2,220,372	\$ 2,029,104
Conference fees	241,850	214,250
Interest income	11,854	16,153
Publication revenues and other	112,832	147,190
Net assets released from restrictions	-	1,139
Total revenues	<u>2,586,908</u>	<u>2,407,836</u>
<u>Expenses:</u>		
Personnel	1,443,812	1,411,308
Conferences	173,390	151,199
Professional fees	107,034	105,154
Office expense	76,305	77,069
Committees	97,110	105,507
Travel	18,594	13,618
Printing and publication	53,882	54,323
Occupancy costs	127,173	128,372
Information systems	28,538	26,810
Consultants	29,748	69,679
Depreciation and amortization	51,600	44,059
Website	7,350	8,067
Sponsorship	15,968	15,437
Total expenses	<u>2,230,504</u>	<u>2,210,602</u>
Change in unrestricted net assets	356,404	197,234
<u>Temporarily restricted net assets:</u>		
Net assets released from restrictions	-	(1,139)
Change in net assets	356,404	196,095
Net assets at beginning of year	<u>2,834,076</u>	<u>2,637,981</u>
Net assets at end of year	<u>\$ 3,190,480</u>	<u>\$ 2,834,076</u>

See the accompanying independent auditor's report.
The accompanying notes are an integral part of these financial statements.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
WASHINGTON, DC

STATEMENTS OF CASH FLOWS

	Years ended June 30,	
	<u>2012</u>	<u>2011</u>
<u>Cash flows from operating activities:</u>		
Change in net assets (Exhibit "B")	\$ 356,404	\$ 196,095
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	51,600	44,059
Accounts receivable	17,020	(24,770)
Accrued interest receivable	747	(1,129)
Prepaid expenses	3,440	(24,039)
Accounts payable and accrued expenses	(2,272)	(30,037)
Deferred revenues	83,535	63,297
Deferred rent	2,812	17,412
	<u>513,286</u>	<u>240,888</u>
Net cash provided by operating activities	513,286	240,888
<u>Cash flows from investing activities:</u>		
Purchases of property and equipment	<u>(29,194)</u>	<u>(41,166)</u>
Net increase in cash and cash equivalents	484,092	199,722
Cash and cash equivalents at beginning of year	<u>4,035,395</u>	<u>3,835,673</u>
Cash and cash equivalents at end of year	<u>\$ 4,519,487</u>	<u>\$ 4,035,395</u>

See the accompanying independent auditor's report.
The accompanying notes are an integral part of these financial statements.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

1 - Organization.

Council for Higher Education Accreditation (the Council) is a District of Columbia corporation. The Council is dedicated to serving students and their families, colleges and universities, sponsoring bodies, governments, and employers by promoting academic quality through formal recognition of higher education accrediting bodies and working to advance self-regulation through accreditation.

2 - Significant accounting policies.

A. Basis of accounting.

The Council prepares its financial statements on the accrual basis of accounting.

B. Accounts receivable.

Accounts receivable are stated at the amount management expects to collect from outstanding balances.

C. Property and equipment.

Property and equipment are recorded at cost. Furniture, equipment, computer equipment, and software greater than \$500 are capitalized and then depreciated using the straight-line method over the estimated service lives of the assets (5-7 years). Leasehold improvements greater than \$1,000 are capitalized and then amortized over the term of the lease or the estimated useful life of the improvement, whichever is shorter.

D. Trademark and copyright costs.

Costs relating to trademarks and copyrights are capitalized and amortized using the straight-line method over fifteen years. Accumulated amortization at June 30, 2012 and 2011 was \$5,392 and \$4,875, respectively. Management periodically reviews the trademark and copyright costs for potential impairment. As of June 30, 2012 and 2011, it has been determined that no impairment has occurred.

E. Deferred revenues.

Deferred revenues include membership dues and conference fees collected prior to year end for a future period. Conference revenues are recognized in the period the conference takes place. Membership dues are recognized as revenues in the applicable membership period, which is July 1 to June 30.

F. Restricted and unrestricted net assets.

The Council records contributions and donor-restricted support as unrestricted or temporarily restricted depending on the existence and or the nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

G. Use of estimates.

Preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

2 - Significant accounting policies (continued).

H. Income tax status.

The Council is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. The Council is classified by the Internal Revenue Service as other than a private foundation.

I. Reclassifications.

Certain prior year amounts have been reclassified to conform with the current year's financial statement presentation.

3 - Cash and cash equivalents.

For financial statement purposes, the Council considers all U.S. government obligations and certificates of deposit to be cash equivalents. Cash and cash equivalents consisted of the following at June 30th:

	<u>2012</u>	<u>2011</u>
Demand deposits and money market	\$ 2,347,072	\$ 1,601,233
Certificates of deposits	<u>2,172,415</u>	<u>2,434,162</u>
Total	<u>\$ 4,519,487</u>	<u>\$ 4,035,395</u>

4 - Property and equipment.

Property and equipment consist of the following as of June 30th:

	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 162,494	\$ 139,089
Computer equipment and software	123,492	117,703
Leasehold improvements	<u>220,487</u>	<u>220,487</u>
	506,473	477,279
Less: accumulated depreciation to date	<u>(357,577)</u>	<u>(306,494)</u>
Total	<u>\$ 148,896</u>	<u>\$ 170,785</u>

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

5 - Unrestricted net assets – undesignated and designated.

The Board of Directors has approved the designation of a portion of unrestricted net assets with the stated goal of maintaining a reserve equal to between 67 and 100 percent of annual operating expenditures. Undesignated and designated unrestricted net assets consist of the following at June 30th:

	<u>2012</u>	<u>2011</u>
Undesignated	\$ 1,305,736	\$ 1,141,853
Designated:		
Fixed asset fund	53,622	68,752
Board designated reserve fund	1,281,891	1,112,922
Book fund	<u>549,231</u>	<u>510,549</u>
Total designated	<u>1,884,744</u>	<u>1,692,223</u>
Total unrestricted net assets	<u>\$ 3,190,480</u>	<u>\$ 2,834,076</u>

Book Fund: The purpose is to staff and to fund the writing of a book on higher education accreditation. The Board of Directors approved a transfer of \$36,017 to the Book Fund in 2012. There were no amounts transferred in 2011. Interest income earned on specified bank accounts is added to the principal of this Fund. The Book Fund earned interest income of \$2,665 and \$3,843 during the years ended June 30, 2012 and 2011, respectively. No expenses were incurred from this Fund during the years ended June 30, 2012 and 2011.

6 - Temporarily restricted net assets.

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the purpose stipulated by the grantor during 2011. There were no temporarily restricted net assets for the year ending June 30, 2012.

	<u>2011</u>
Beginning balance	\$ 1,139
Grant revenue	-
Expenses incurred	(1,139)
Ending balance	<u>\$ -</u>

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

7 - Fair value.

Fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

	June 30, 2012			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Certificates of deposit	\$ -	\$ 2,172,415	\$ -	\$ 2,172,415
457 (b) Plan assets:				
Retirement annuities	<u>187,900</u>	<u>-</u>	<u>40,961</u>	<u>228,861</u>
Total	<u>\$ 187,900</u>	<u>\$ 2,172,415</u>	<u>\$ 40,961</u>	<u>\$ 2,401,276</u>

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

7 - Fair value (continued).

	June 30, 2011			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Cash equivalents:				
Certificates of deposit	\$ -	\$ 2,434,162	\$ -	\$ 2,434,162
457 (b) Plan assets:				
Retirement annuities	<u>170,616</u>	<u>-</u>	<u>35,512</u>	<u>206,128</u>
Total	<u>\$ 170,616</u>	<u>\$ 2,434,162</u>	<u>\$ 35,512</u>	<u>\$ 2,640,290</u>

Level 3 gains and losses:

The following table presents the Council's activity for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	2012	2011
Balance at beginning of year	\$ 35,512	\$ 29,745
Total realized and unrealized gains	3,778	3,917
Purchases, issuances and settlements	<u>1,671</u>	<u>1,850</u>
Balance at end of year	<u>\$ 40,961</u>	<u>\$ 35,512</u>

The retirement annuities are invested in various classes including multiple equities, real estate, and bonds.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

8 - Functional Expense.

The costs of providing the various programs and other activities have been summarized on a functional basis below. Accordingly, certain costs have been allocated among program services, management and general, and fundraising based on evaluations of the related benefit. Functional expenses consisted of the following for the years ended June 30th:

	<u>2012</u>	<u>2011</u>
Program services:		
Meetings and conferences	\$ 655,770	\$ 649,917
Research and policy	468,405	464,226
Government relations	312,270	309,484
Recognition policy	<u>124,908</u>	<u>123,794</u>
Total program services	1,561,353	1,547,421
Supporting services:		
Management and general	602,236	596,863
Membership development	<u>66,915</u>	<u>66,318</u>
Total supporting services	<u>669,151</u>	<u>663,181</u>
Total expenses	<u>\$ 2,230,504</u>	<u>\$ 2,210,602</u>

9 - Concentration of credit risk.

The Council maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Council has not experienced any such losses in the past and does not believe it is exposed to any significant financial risk on these cash balances.

The Council also invests funds in a professionally managed portfolio that contains various types of certificates of deposit and treasury bills. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

10 - Retirement plans.

The Council maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The Plan covers full-time employees of the Council. The Council contributes 10 percent of gross salaries for eligible employees to the Plan. Employees may make elective contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

10 - Retirement plans (continued).

In 2003, the Council established a Section 457(b) deferred compensation plan as part of the President's contract. In 2005, the deferred compensation plan was expanded to include a top hat group of employees, funded entirely by the employees. The assets and liabilities relating to the plans totaling \$228,861 as of June 30, 2012 and \$206,128 as of June 30, 2011 appear in the statements of financial position.

For the years ended June 30, 2012 and 2011, the Council contributed \$114,299 and \$139,537, respectively, on behalf of its employees to these plans.

11 - Operating lease.

The Council leases its office space under a non-cancelable operating lease agreement, which expires June 30, 2018. The lease agreement provides for a minimum annual base rent plus the lessee's prorated share of real estate taxes and building operating expenses. Future minimum payments under the lease are as follows:

Years Ending June 30th,

2013	\$ 115,360
2014	122,570
2015	129,780
2016	136,990
2017	136,990
Thereafter	136,990
Total	<u>\$ 778,680</u>

Occupancy costs consisted of the following for the year ended June 30th:

	<u>2012</u>	<u>2011</u>
Rent	\$ 121,187	\$ 123,255
Parking	2,198	2,219
Repairs & Maintenance	2,059	1,340
Storage	1,729	1,558
Totals	<u>\$ 127,173</u>	<u>\$ 128,372</u>

12 - Employment agreement.

The Council has an employment agreement with its President. The term of the agreement is April 29, 2003 through June 30, 2016, with a sabbatical leave from July 1, 2016 through June 30, 2017. During the sabbatical leave, the President will provide services to the Council.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

13 - Tax positions.

The Council is exempt under Section 501(c)(3) of the Internal Revenue Code of 1986. The Council has filed for and received income tax exemptions in the various jurisdiction where it is required to do so. The Council files Form 990 in the U.S. jurisdiction. With few exceptions, the Council is no longer subject to U.S. federal, state, and local income tax examinations by taxing authorities for years before 2008. Management of the Council believes it has no material uncertain tax positions, and accordingly, it will not recognize any unrecognized tax liabilities.

14 - Subsequent events.

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through August 27, 2012, the date the financial statements were available to be issued.

2011–2012 Board of Directors

The CHEA Board of Directors is composed of up to 20 members elected for three-year terms. The members are current chief executive officers of degree-granting colleges and universities, other institutional members (e.g., deans, provosts, faculty) and public members.

EXECUTIVE COMMITTEE

David G. Carter, *Chair*, Chancellor Emeritus, Connecticut State University System

Charles Larson, *Vice Chair*, Chair, ViaGlobal Group

Madlyn L. Hanes, *Secretary*, Vice President, Commonwealth Campuses, Pennsylvania State University

John E. Bassett, *Treasurer*, President, Heritage University

Larry L. Earvin, *Member at Large*, President & CEO, Huston-Tillotson University

Bobby Fong, *Member at Large*, President, Ursinus College

BOARD OF DIRECTORS

Caesar Andrews, Leonard Family Distinguished Visiting Professor of Journalism Ethics, Reynolds School of Journalism, University of Nevada, Reno

Andrew Benton, President & CEO, Pepperdine University

John C. Bravman, President, Bucknell University

George D. Gollin, Professor of Physics, University of Illinois at Urbana-Champaign

David Johnson, III, Office of Sponsored Projects, Grants and Contracts Officer, University of Utah

Dorothy Leland, President, Georgia College & State University

Joe D. May, President, Louisiana Community and Technical College System

Judy C. Miner, President, Foothill College

Karen W. Morse, President Emeritus, Western Washington University

Elsa Núñez, President, Eastern Connecticut State University

Paula E. Peinovich, President, National Labor College

Barbara R. Snyder, President, Case Western Reserve University

Mary Ann P. Swain, Professor, State University of New York at Binghamton, Decker School of Nursing

Craig D. Swenson, Chancellor, Argosy University

2011–2012 Committee on Recognition

The CHEA Committee on Recognition is responsible for considering the eligibility and recognition status of new and continuing accrediting organizations. The Committee consists of nine members, each serving a three-year term, and includes public members, members from regional, specialized, national and professional accrediting organizations and members from colleges and universities.

William B. DeLauder (Chair)

President Emeritus, Delaware State University

Ronald Blumenthal

Senior Vice President Emeritus, Kaplan University

Barbara Brittingham

President and Director, Commission on Institutions of Higher Education, New England Association of Schools and Colleges

James G. Cibulka

President, National Council for Accreditation of Teacher Education

Karen Hanson

Provost & Senior Vice President for Academic Affairs, University of Minnesota

David Holger

Associate Provost for Academic Programs & Dean of the Graduate College, Professor of Aerospace Engineering, Iowa State University

Michael P. Lambert

Executive Director, Distance Education and Training Council

E. Clorissa Phillips

President and Professor of Public Service and Leadership, Virginia Intermont College

David Werner

Chancellor Emeritus, Southern Illinois University Edwardsville

CHEA-Recognized Accrediting Organizations

(As of June 30, 2012)

National Faith-Related

Association for Biblical Higher Education, Commission on Accreditation

Association of Advanced Rabbinical and Talmudic Schools

Commission on Accrediting of the Association of Theological Schools in the United States and Canada

Transnational Association of Christian Colleges and Schools, Accreditation Commission

National Career-Related

Accrediting Council for Independent Colleges and Schools

Distance Education and Training Council Accrediting Commission

Regional

Middle States Association of Colleges and Schools, Middle States Commission on Higher Education

New England Association of Schools and Colleges, Commission on Institutions of Higher Education

North Central Association of Colleges and Schools, The Higher Learning Commission

Southern Association of Colleges and Schools, Commission on Colleges

Western Association of Schools and Colleges, Accrediting Commission for Community and Junior Colleges

Western Association of Schools and Colleges, Accrediting Commission for Senior Colleges and Universities

Programmatic

AACSB International – The Association to Advance Collegiate Schools of Business

ABET

Accreditation Commission for Audiology Education

Accreditation Council for Business Schools and Programs

Accreditation Council for Pharmacy Education

Accreditation Review Commission on Education for the Physician Assistant, Inc.

Accrediting Council on Education in Journalism and Mass Communications

American Association for Marriage and Family Therapy, Commission on Accreditation for Marriage and Family Therapy Education

American Association of Family and Consumer Sciences, Council for Accreditation

(continued)

CHEA-Recognized Accrediting Organizations (As of June 30, 2012)

American Board of Funeral Service Education, Committee on Accreditation
American Council for Construction Education
American Culinary Federation Education Foundation Accrediting Commission
American Library Association, Committee on Accreditation
American Occupational Therapy Association, Accreditation Council for Occupational Therapy Education
American Optometric Association, Accreditation Council on Optometric Education
American Physical Therapy Association, Commission on Accreditation in Physical Therapy Education
American Podiatric Medical Association, Council on Podiatric Medical Education
American Psychological Association, Commission on Accreditation
American Society of Landscape Architects, Landscape Architectural Accreditation Board
American Speech-Language-Hearing Association Council on Academic Accreditation in Audiology and Speech-Language Pathology
American Veterinary Medical Association, Council on Education
Association of Technology, Management, and Applied Engineering
Aviation Accreditation Board International
Commission on Accreditation of Allied Health Education Programs
Commission on Accreditation of Healthcare Management Education
Commission on Opticianry Accreditation
Council for Accreditation of Counseling and Related Educational Programs
Council for Interior Design Accreditation
Council on Accreditation of Nurse Anesthesia Educational Programs
Council on Chiropractic Education, Commission on Accreditation
Council on Rehabilitation Education, Commission on Standards and Accreditation
Council on Social Work Education Office of Social Work Accreditation, Commission on Accreditation
International Assembly for Collegiate Business Education
International Fire Services Accreditation Congress Degree Assembly
Joint Review Committee on Education Programs in Radiologic Technology
Joint Review Committee on Educational Programs in Nuclear Medicine Technology
National Accrediting Agency for Clinical Laboratory Sciences

(continued)

CHEA-Recognized Accrediting Organizations (As of June 30, 2012)

National Association of Schools of Public Affairs and Administration, Commission on Peer Review and Accreditation

National Council for Accreditation of Teacher Education

National League for Nursing Accrediting Commission, Inc.

National Recreation and Park Association, Council on Accreditation of Parks, Recreation, Tourism, and Related Professions

Planning Accreditation Board

Society of American Foresters

Teacher Education Accreditation Council, Inc.



Daniel Aleshire, Executive Director of the Association of Theological Schools in the United States and Canada (left in photo) and Barbara Brittingham, President/Director of the Commission, Commission on Institutions of Higher Education, New England Association of Colleges and Schools, joined by Stanley Ikenberry, President Emeritus, University of Illinois at Urbana-Champaign, offered a view by accrediting organizations of "U.S. Accreditation: What Matters Most in 2012" at the CHEA 2012 International Seminar.

Key Dates in the History of CHEA

March 1996

- Formation of CHEA through first-ever referendum of college and university presidents. Fifteen-member board of directors elected, bylaws approved.

July 1996

- Initial meeting of CHEA Board of Directors.

September 1996

- Board of directors adopts CHEA bylaws and files articles of incorporation.

May 1997

- *Institutional Eligibility and Recognition Policy* adopted by board of directors.

August 1997

- Dr. Judith S. Eaton named CHEA's first president.

September – December 1997

- CHEA conducts national survey of degree-granting institutions, higher education associations and accrediting organizations to learn of priorities for CHEA and for accreditation.

September 1998

- Board of directors adopts the CHEA *Recognition Policy and Procedures*.

January 1999

- Members of committee on recognition appointed by board of directors.

November 2000

- *Advisory Statement to the Community: Transfer and the Public Interest* released.

September 2001

- *Principles for United States Accreditors Working Internationally: Accreditation of Non-United States Institutions and Programs* adopted.

May 2002

- *A Framework for Meeting Transfer of Credit Responsibilities* released.

January – April 2003

- CHEA conducts second national survey of degree-granting institutions, higher education associations and accrediting organizations to evaluate CHEA performance, identify primary accreditation issues to be addressed in the future and solicit views on accreditation.

May 2003

- *CHEA Database of Institutions Accredited by Recognized U.S. Accreditors* launched.

May 2004

- CHEA recognition of 60 accrediting organizations complete.

May 2005

- *CHEA Database of Institutions and Programs Accredited by Recognized U.S. Accrediting Organizations* of more than 7,000 accredited institutions expanded to include 17,000 accredited programs.

Key Dates in the History of CHEA

November 2005

- CHEA annual *Award for Institutional Progress on Student Learning Outcomes* launched.

January 2006

- Revision of CHEA *Recognition Policy and Procedures* approved by board of directors.

February 2007

- *Advisory Statement on Combating Site-Based and Distance-Based Degree Mills – Suggestions for Effective Practice* issued.

January 2008

- *New Leadership for Student Learning and Accountability* published (with Association of American Colleges and Universities).

September 2008

- *CHEA Initiative* launched.

June 2009

- *Toward Effective Practice: Discouraging Degree Mills in Higher Education* issued by CHEA and the United Nations Educational, Scientific and Cultural Organization (UNESCO).

April 2010

- CHEA Board of Directors approves *Resolution on Accreditation and Accountability*.

November 2010

- *State Uses of Accreditation* published by CHEA.

March 2011

- CHEA and UNESCO host a meeting on the international challenges posed by for-profit higher education.

June 2011

- *Reflections on the Future of Accreditation* published by CHEA.

August 2011

- *Accreditation and Accountability: Looking Back and Looking Ahead* published by CHEA.

November 2011

- CHEA conducts national survey of CHEA member institutions and recognized accrediting organizations on key issues for accreditation.

January 2012

- CHEA Board of Directors approves establishment of CHEA International Quality Group.
- CHEA holds Eighth National Accreditation Forum during 2012 Annual Conference.

February 2012

- CHEA produces *Effective Institutional Practice in Student Learning Outcomes: CHEA Award Recipients*.

A national advocate and institutional voice for self-regulation of academic quality through accreditation, CHEA is an association of 3,000 degree-granting colleges and universities and recognizes 60 institutional and programmatic accrediting organizations.

CHEA

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

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