



ANNUAL REPORT

CHEA[®]

Council for Higher Education Accreditation

2009–2010

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

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.

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Council for Higher Education Accreditation
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Letter from the Chair

Dear Colleagues:

What is the value of accreditation? Why is it important to protect self-regulation and peer/professional review? How will accreditation respond to changing government and public expectations? Each day, CHEA addresses these issues as the only national association devoted exclusively to higher education accreditation.

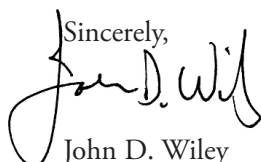
In 2009-2010, CHEA's leadership and advocacy for accreditation led to a year of solid accomplishment. CHEA served member institutions and accreditation through our work with Congress, the U.S. Department of Education (USDE) and the fifty states, assuring that the views of accredited colleges and universities were heard on key issues. To media, CHEA provided an authoritative voice on accreditation. And to the public – students, parents, employers – CHEA is the single best source of information on accreditation and accredited institutions and programs.



Through the challenging economic environment of the past two years, CHEA has remained strong in terms of both membership and finances, reflecting the value that members place on CHEA's leadership. In fact, in the past year, more than 150 colleges and universities became new CHEA members.

The year ahead will bring new challenges. Proposed regulations will be finalized; their full impact on colleges, universities and accrediting organizations is yet to be felt. For-profit higher education is likely to remain in the spotlight on Capitol Hill, at USDE and in the media. Congress is still considering additional legislation to combat degree mills. And, in its third year, the *CHEA Initiative* will begin to focus on specific actions needed to help shape the future of accreditation.

I am proud of what CHEA has accomplished this year and am confident that CHEA will meet the challenges ahead.

Sincerely,


John D. Wiley
Chair, Board of Directors
Chancellor Emeritus and Professor,
University of Wisconsin-Madison

Letter from the President



Dear Colleagues:

It has been a busy year for CHEA, filled with activity and accomplishment. I thank all of our member institutions for their strong support.

2009-2010 was the second year of the *CHEA Initiative*. This multi-year effort to address the future of accreditation saw an unprecedented level of member involvement. Through our CEO/CAO roundtables with member institutions, meetings with accrediting commissions, at the National Accreditation Fora and in discussions at the 2010 CHEA Annual Conference and Summer Workshop, CHEA heard from colleagues across the country about the challenges and opportunities that lie ahead for accreditation. These comments will help form the basis for action in the *Initiative's* third year.

In 2009-2010, CHEA also revised its *Recognition Policy and Procedures* to assure that CHEA recognition continues to play a strong role as part of an effective accreditation enterprise, reflecting the best of self-regulation and peer/professional review.

Throughout the year, CHEA represented members on key issues ranging from proposed regulations from the U.S. Department of Education on program integrity and student achievement, the need for strong laws and regulations to combat degree mills and the increasing focus by government on issues related to for-profit education to international discussions of quality assurance.

Thanks to members' active involvement and strong financial support this year, CHEA has been able to sustain and enhance our advocacy for higher education accreditation.

Please take a few minutes to read this *Annual Report*. We look forward to working with you, our members, in 2010-2011.

Sincerely,

A handwritten signature in black ink, which appears to read "Judith Eaton". The signature is fluid and cursive.

Judith Eaton
President

2009-2010: Meeting Current Challenges, Exploring New Opportunities

CHEA's successful efforts and advocacy on behalf of higher education accreditation continued in 2009-2010, in areas ranging from government affairs to serving member colleges and universities.

The CHEA Initiative

The *CHEA Initiative* was central to CHEA's activities this year. The *Initiative*, launched in 2008, has two goals: further enhancing accountability in accreditation, thereby strengthening public confidence and trust in peer/professional review and self-regulation, and focusing federal oversight of accreditation more directly on issues related to institutional viability and the use of federal funds, rather than the academic policy issues that are primarily the province of colleges and universities.

The *Initiative's* national conversation on accreditation centered on six major issues that surfaced during the first year of discussions involving member institutions, accrediting organizations, government and the public: 1) advocacy for accreditation, 2) accreditation's relationship with the federal government, 3) accreditation and accountability, 4) accreditation's relationship with state governments, 5) the relationship between institutions and accrediting organizations and 6) the relationships among accreditors. Two additional issues emerged in 2009-2010: the international activity of institutions and programs and thus accreditation and the growth of for-profit higher education and its impact on accreditation.

During 2008-2009 and 2009-2010, CHEA sustained an unprecedented national discussion, speaking with colleagues across the country. CHEA hosted five CEO/CAO Roundtables with member institutions, met with 21 accrediting commissions, held five National Accreditation Fora and conducted a student focus group on accreditation – in all, 32 gatherings involving more than 1,500 colleagues from the higher education and accreditation communities.

Federal and State Government Activities

CHEA continued its strong and effective government affairs advocacy for accreditation, working with the U.S. Congress, USDE and with states across the country.



Participants discuss the CHEA Initiative and the future of accreditation at the Fourth National Accreditation Forum.

Throughout the year, CHEA met with members of the U.S. Senate and House of Representatives, staff from committees of jurisdiction and key USDE officials, providing information on the accreditation process and the value of accreditation. CHEA's *Federal Update* keeps member institutions, accrediting organizations and the public current on federal activity related to accreditation and USDE's 2009-2010 negotiated rulemaking.

CHEA's strong support for laws and regulations to combat degree mills and accreditation mills played a key role in the introduction of degree mill legislation (H.R. 4535 – the Diploma and Accreditation Integrity Act), announced at a news briefing held at the CHEA Annual Conference. Subsequently, CHEA shared copies of the legislation with the governors and attorneys general of all 50 states, noting that the bill's language may be useful in drafting or strengthening state laws or regulations to combat degree mills.

International Activities

CHEA continued to play a key role in international discussions of accreditation and quality assurance. CHEA President Judith Eaton participated in and served as a keynote speaker for a variety of international conferences and video conferences in Europe, North and South America and Asia.

CHEA's importance as a venue for international discussion of quality assurance issues was reflected in the Organisation for Economic Co-operation and Development's decision to hold a news conference during the CHEA Annual Conference and International Seminar to announce progress to date on their Assessment of Higher Education Learning Outcomes and Student Achievement.

CHEA's work with the United Nations Educational, Scientific and Cultural Organization (UNESCO) to combat degree mills internationally was highlighted at the UNESCO World Conference on Higher Education, where language on the importance of efforts to identify and eradicate degree mills was included in the conference's official *Communiqué*.

CHEA Recognition of Accrediting Organizations

CHEA is the only nongovernmental higher education organization that undertakes the "recognition" or scrutiny of the quality of regional, national faith-related, national career-related and programmatic accrediting organizations. USDE carries out this function for government.

During 2009-2010, the CHEA Committee on Recognition undertook a review and revision of the *2006 CHEA Recognition Policy and Procedures* that contains the standards on which the CHEA scrutiny is based. The primary purpose of the revisions was to enhance accountability in self-regulation while respecting the independence of institutions and accrediting organizations. CHEA issued two calls for comments on the proposed revisions and held two public meetings to seek comments from member institutions, CHEA-recognized accrediting organizations and the public. The result was a policy strengthened by the active involvement and suggestions from many constituents.



CHEA President Judith Eaton and Rep. Timothy Bishop (D-NY) at a news conference held during the CHEA 2010 International Seminar, announcing the introduction of legislation to combat degree mills and accreditation mills.

CHEA also began work on the re-recognition of current CHEA-recognized accrediting organizations. All CHEA-recognized accrediting organizations undergo a recognition review every ten years, at a minimum. The re-recognition process for CHEA-recognized accreditors is likely to last at least until 2012.

CHEA's 2010 Annual Conference and Summer Workshop

Each year, CHEA meetings attract participants from colleges and universities, accrediting organizations, government, higher education associations, international colleagues and the public to attend sessions and exchange information on a wide range of accreditation-related issues.

The 2010 CHEA Annual Conference – “*Accreditation's Future: Building on Strengths... Creating Opportunities*” – drew more than 300 attendees from across the country and around the world. Key speakers included Under Secretary of Education Martha Kanter and Representatives Timothy Bishop (D-New York) and Michael Castle (R-Delaware) of the U.S. House of Representatives, as well as speakers from colleges and universities, accrediting organizations and higher education associations.

The 2010 CHEA Summer Workshop provided participants with a day-long meeting focusing on “Future Directions for Accreditation” and featured speakers from the academic community, accrediting organizations and the media. The Workshop included a special session on the challenges posed for accreditation by for-profit higher education.

“Accreditation Central”

The [CHEA Website](#) provides a body of descriptive and analytic information about accreditation found nowhere else. Publications and news releases found on the CHEA Website – including the [CHEA Federal Update](#) and [Inside Accreditation](#) – offer news updates and commentary on current events and trends affecting higher education.

In 2009-2010, CHEA produced publications addressing a range of issues related to higher education accreditation. These included [The Value of Accreditation](#) – developed by regional, national and programmatic accrediting organizations and CHEA – a CHEA advisory statement on [Effective Practices: The Role of Accreditation in Student Achievement](#), a Board of Directors [Resolution on Accreditation and Accountability](#), and – in cooperation with the Association of Governing Boards of Universities and Colleges – a joint advisory statement on [Accreditation and Governing Boards](#). All of these publications can be found on the CHEA Website.

Of particular importance to students, parents, employers and the public – as well as to CHEA member colleges and universities – is the [CHEA Database of Institutions and Programs Accredited by Recognized United States Accrediting Organizations](#). The CHEA Website also includes the [CHEA International Directory](#) – providing information about quality assurance bodies, accreditation bodies and ministries of education around the world – and the [CHEA-Recognized Accrediting Organizations Directory](#). Each of these databases and directories are visited tens of thousands of times each month.



William DeLauder, President Emeritus of Delaware State University (left in photo), introduced Rep. Michael Castle (R-DE) at the CHEA 2010 Annual Conference.

Serving Member Colleges and Universities

Colleges and universities across the country continued to support CHEA and its mission on behalf of higher education accreditation. A large majority of CHEA member institutions have been members for more than five years, and, in 2009-2010, more than 150 degree-granting colleges and universities became new CHEA members.

Each year, CHEA acknowledges member institutions who have been outstanding in their efforts to develop and apply evidence of student learning outcomes. At the 2010 CHEA Annual Conference, the 2010 *CHEA Award for Outstanding Institutional Practice in Student Learning Outcomes* was presented to Capella University (Minnesota), Portland State University (Oregon), St. Olaf College (Minnesota) and the University of Arkansas - Fort Smith College of Education. The award not only provides recognition to colleges and universities who have developed outstanding practices to use student learning outcomes but also enables other member institutions to hear about and learn from the experiences of those schools.

CHEA Award Winners

Individuals representing the four colleges and universities who received the 2010 *CHEA Award for Outstanding Institutional Practice in Student Learning Outcomes*.



Laura Witherington and John Jones, University of Arkansas - Ft. Smith



Shawn Smallman, Portland State University, with CHEA President Judith Eaton



Jeff Grann and Kimberly Pearce, Capella University



Jo Beld, St. Olaf College

What's Ahead

In the year ahead, the emphasis of the *CHEA Initiative* will shift from discussion to action as CHEA hosts meetings to review the national discussion to date and to start framing action plans based on what has been learned. Attention by Congress and the USDE to for-profit higher education and to the challenges it poses for accreditation is likely to continue, and CHEA will be a part of the discussion. CHEA will keep members informed as new USDE regulations affecting accrediting organizations and the colleges and universities they accredit are finalized. Re-recognition reviews will take place for more than two dozen CHEA-recognized accrediting organizations. And, CHEA will continue to urge federal and state governments to develop legislation and regulations to combat degree mills.

Throughout 2010-2011, CHEA will continue to represent member institutions on key accreditation-related issues, serving as a strong and effective voice on behalf of self-regulation of higher education through accreditation.

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.
- Dr. Larry Braskamp named interim executive director.

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.
- Task Force on Recognition formed to develop CHEA recognition policy.

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.

May 2001

- *Advisory Statement on the Value of the Degree* adopted.

September 2001

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

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.

Key Dates in the History of CHEA

September 2003

- *Advisory Statement of Mutual Responsibilities for Student Learning Outcomes: Accreditation, Institutions and Programs* adopted.

May 2004

- CHEA recognition of 60 accrediting organizations complete.

January 2005

- Higher Education Transfer Alliance (HETA) launched.
- *Presidents Project* established.

May 2005

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

November 2005

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

January 2006

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

January 2007

- 2007 CHEA *Agenda for Reauthorization of the Higher Education Act* 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).

May 2008

- *U.S. Accreditation and the Future of Quality Assurance* published.

September 2008

- *CHEA Initiative* launched.

June 2009

- *Toward Effective Practice: Discouraging Degree Mills in Higher Education* issued by CHEA and UNESCO.

March 2010

- *Advisory Statement on Effective Practices: The Role of Accreditation in Student Achievement* issued.

April 2010

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

June 2010

- *The Value of Accreditation* published by CHEA.

Independent Auditor's Report

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of the
Council for Higher Education Accreditation

We have audited the accompanying statements of financial position of the Council for Higher Education Accreditation (the Council) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 for Higher Education Accreditation as of June 30, 2010, and 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Washington, D.C., USA
September 9, 2010

Statement of Financial Position

June 30, 2010 and 2009

<i>June 30,</i>	2010	2009
Assets		
Cash & cash equivalents - Notes B & H	\$ 3,835,673	\$ 3,398,149
Interest Receivable	2,989	5,164
Accounts Receivable	-	5,856
Prepaid Expenses	9,363	18,665
Investment in nonqualified employee benefit plan	162,798	136,329
Property & equipment, net - Note C	173,160	210,671
Trademark and copyright costs, net	3,401	3,918
Total assets	\$ 4,187,384	\$ 3,778,752
Liabilities and Net Assets		
Liabilities		
Accounts payable & accrued expenses	\$ 252,777	\$ 170,241
Deferred revenue	1,133,828	913,833
Obligation under nonqualified employee benefit plan	162,798	136,329
Total liabilities	1,549,403	1,220,403
Net Assets		
Unrestricted - Note D	2,636,842	2,558,349
Restricted - Note E	1,139	-
Total net assets	2,637,981	2,558,349
Total liabilities and net assets	\$ 4,187,384	\$ 3,778,752

Statement of Activities

For the Year ended June 30, 2010

	Unrestricted			Temporarily Restricted:	
	Operating	Grant	Total	Grant	Total
REVENUE					
Membership dues	\$ 2,049,854	\$ -	\$ 2,049,854	\$ -	\$ 2,049,854
Conference fees	179,775		179,775		179,775
Interest income	37,489		37,489		37,489
Publication revenue and other	28,106		28,106		28,106
Grant				7,300	7,300
Net assets released from restrictions		6,161	6,161	(6,161)	-
Total Revenue	2,295,224	6,161	2,301,385	1,139	2,302,524
EXPENSE - Note G					
Personnel	1,296,426		1,296,426		1,296,426
Conference	146,823		146,823		146,823
Professional fees	133,578		133,578		133,578
Office expenses	133,782		133,782		133,782
Committees	91,584		91,584		91,584
Travel	39,795	6,161	45,956		45,956
Printing and publications	26,756		26,756		26,756
Occupancy costs	130,520		130,520		130,520
Information systems	29,964		29,964		29,964
Consultants	120,636		120,636		120,636
Depreciation and amortization	40,212		40,212		40,212
Website	9,343		9,343		9,343
Sponsorship	16,012		16,012		16,012
Miscellaneous	1,300		1,300		1,300
Total Expense	2,216,731	6,161	2,222,892		2,222,892
Change in Net Assets	78,493		78,493	1,139	79,632
Net assets, July 1, 2009	2,558,349		2,558,349		2,558,349
Net assets, June 30, 2010	\$ 2,636,842	\$ -	\$ 2,636,842	\$ 1,139	\$ 2,637,981

Statement of Activities

For the Year ended June 30, 2009

	Unrestricted			Temporarily Restricted:	
	Operating	Grant	Total	Grant	Total
Revenue					
Membership dues	\$ 2,285,323	\$ -	\$ 2,285,323	\$ -	\$ 2,285,323
Conference fees	172,025		172,025		172,025
Interest income	23,928		23,928		23,928
Publication revenue and other	12,988		12,988		12,988
Net assets released from restrictions		42,497	42,497	(42,497)	-
Total revenue	2,494,264	42,497	2,536,761	(42,497)	2,494,264
Expense - Note G					
Personnel	1,228,821	3,571	1,232,392		1,232,392
Conference	170,639		170,639		170,639
Professional fees	263,742		263,742		263,742
Office expenses	138,933		138,933		138,933
Committees	148,430		148,430		148,430
Travel	18,053	17,114	35,167		35,167
Printing and publications	75,524		75,524		75,524
Occupancy costs - Note J	125,634		125,634		125,634
Information systems	26,648		26,648		26,648
Consultants	93,605		93,605		93,605
Depreciation and amortization	47,431		47,431		47,431
Website	5,629		5,629		5,629
Sponsorship	9,175		9,175		9,175
Miscellaneous		21,812	21,812		21,812
Total expense	2,352,264	42,497	2,394,761		2,394,761
Change in net assets	142,000	-	142,000	(42,497)	99,503
Net assets, July 1, 2008	2,416,349	-	2,416,349	42,497	2,458,846
Net assets, June 30, 2009	\$ 2,558,349	\$ -	\$ 2,558,349	\$ -	\$ 2,558,349

Statement of Cash Flows

For the Years ended June 30, 2010 and 2009

Year Ended June 30,	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 79,632	\$ 99,503
Adjustments to reconcile change in net assets to net cash Provided by operating activities:		
Depreciation and amortization	40,212	47,431
Interest receivable	2,175	2,677
Accounts Receivable	5,856	(5,856)
Prepaid Expenses	9,302	(1,191)
Accounts payable & accrued expenses	82,535	(69,692)
Deferred Revenue	219,995	(20,286)
Total adjustments	360,075	(46,917)
Net cash provided by operating activities	439,707	52,586
Cash flows from investing activities		
Purchases of property and equipment	(2,183)	(32,737)
Net cash used in investing activities	(2,183)	(32,737)
Net increase in cash and cash equivalents	437,524	19,849
Cash and cash equivalents beginning of year	3,398,149	3,378,300
Cash and cash equivalents, end of year	\$ 3,835,673	\$ 3,398,149

Notes to Financial Statements

For the Years ended June 30, 2010 and 2009

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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

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

Property and equipment: Furniture and equipment are recorded at cost. Furniture and equipment 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.

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, 2010 and 2009, was \$4,357 and \$3,840, respectively. Management periodically reviews the trademark and copyright costs for potential impairment. As of June 30, 2010 and 2009, it has been determined that no impairment has occurred.

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

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.

Notes to Financial Statements

For the Years ended June 30, 2010 and 2009

B. 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 30:

	2010	2009
Demand deposits and money market	\$ 2,442,274	\$ 619,374
Certificates of deposits	<u>1,393,399</u>	<u>2,778,775</u>
	<u>\$ 3,835,673</u>	<u>\$ 3,398,149</u>

C. PROPERTY AND EQUIPMENT

	2010	2009
Furniture & Equipment	\$ 139,089	\$ 139,089
Computer Equipment & Software	76,537	74,353
Leasehold Improvements	<u>220,487</u>	<u>220,487</u>
	436,113	433,929
Less: accumulated depreciation	<u>(262,953)</u>	<u>(223,258)</u>
	<u>\$ 173,160</u>	<u>\$ 210,671</u>

D. UNRESTRICTED NET ASSETS – UNDESIGNATED AND DESIGNATED

The Board of Directors has approved the designation 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 30,

	2010	2009
Undesignated	\$ 427,257	\$ 581,610
Designated		
Operating Reserve	1,702,879	1,575,045
Book Commission Reserve	<u>506,706</u>	<u>401,694</u>
Total Designated	<u>2,209,585</u>	<u>1,976,739</u>
Total Unrestricted Net Assets	<u>\$ 2,636,842</u>	<u>\$ 2,558,349</u>

Notes to Financial Statements

For the Years ended June 30, 2010 and 2009

D. UNRESTRICTED NET ASSETS – UNDESIGNATED AND DESIGNATED – CONTINUED

Book Commission Reserve: The purpose of this reserve is to fund the writing of a book on higher education accreditation. The Board of Directors approved a transfer of \$100,000 and \$185,667 to the Book Commission Reserve in 2010 and 2009, respectively. Interest income earned on these funds becomes a part of the Board-designated Book Commission Reserve. The Book Commission Reserve earned interest income of \$5,012 and \$6,167 during the years ended June 30, 2010 and 2009, respectively. No expenses were incurred from the reserve during each of the years ended June 30, 2010 and 2009.

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets have been released from restrictions by incurring expenses satisfying the purpose stipulated by the grantor. Temporarily restricted net assets at June 30 are as follows:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ --	\$ 47,497
Grant revenue	7,300	--
Expenses incurred	<u>(6,161)</u>	<u>(42,497)</u>
Ending balance	<u>\$ 1,139</u>	<u>\$ --</u>

F. FAIR VALUE MEASUREMENTS

The Council has implemented Statement of Financial Accounting Standards No. 157 (FAS 157), Fair Value Measurements. FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FAS 157 uses the following prioritized input levels to measure fair value. The input levels used for valuing investments and cash equivalents are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Cash equivalents stated at fair value consist of Level 1 and 2 assets. The value of Level 2 cash equivalents as of June 30, 2010 and 2009 was \$1,393,399 and \$2,778,775, respectively. The value of Level 1 cash equivalents as of June 30, 2010 and 2009 was \$2,442,274 and \$619,374, respectively.

Notes to Financial Statements

For the Years ended June 30, 2010 and 2009

G. 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 fund-raising based on evaluations of the related benefit. Functional expense consisted of the following for the years ended June 30:

	2010	2009
Program Services:		
Meetings and Conferences	\$ 653,534	\$ 706,432
Research and Policy	466,804	512,331
Government Relations	311,205	332,392
Recognition Policy	124,482	135,900
Total Program Services	<u>1,556,025</u>	<u>1,687,055</u>
Supporting Services:		
Management and General	600,180	639,113
Fund-Raising	66,687	68,593
Total Supporting Services	<u>666,867</u>	<u>707,706</u>
	<u>\$ 2,222,892</u>	<u>\$ 2,394,761</u>

H. 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.

I. 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 qualified employees to the Plan. Employees may make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code. For the years ended June 30, 2010 and 2009, the Council contributed \$86,853 and \$97,424 respectively, on behalf of its employees.

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. Both are funded through annuity contracts. The assets and liabilities relating to the plans appear in the statements of financial position.

Notes to Financial Statements

For the Years ended June 30, 2010 and 2009

J. 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 30,		
2011	\$	100,760
2012		115,360
2013		115,360
2014		122,570
2015		129,780
Thereafter		410,970
	\$	<u>994,800</u>

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

	2010	2009
Rent	\$ 125,742	\$ 118,172
Parking	2,238	2,143
Repairs & Maintenance	1,166	3,788
Storage	1,374	1,531
	<u>\$ 130,520</u>	<u>\$ 125,634</u>

K. EMPLOYMENT AGREEMENT

The Council has an employment agreement with its President. The term of the agreement is April 29, 2003, through June 30, 2013, with a sabbatical leave from July 1, 2013 through June 30, 2014. During the sabbatical leave, the President will provide services to the Council.

L. SUBSEQUENT EVENTS

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through September 9, 2010, the date the financial statements were available to be issued.

2009–2010 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

John D. Wiley, *Chair*, Chancellor Emeritus and Professor, University of Wisconsin-Madison

William E. Kirwan, *Vice Chair*, Chancellor, The University System of Maryland

Scott S. Cowen, *Secretary*, President, Tulane University

Charles Larson, *Treasurer*, Chair, ViaGlobal Group

Caesar Andrews, *Member at Large*, Paul A. Leonard Distinguished Visiting Chair for Ethics and Writing in Journalism, University of Nevada, Reno

Karen W. Morse, *Member at Large*, President Emeritus, Western Washington University

BOARD OF DIRECTORS

John E. Bassett, President, Clark University

R. Judson Carlberg, President, Gordon College

David G. Carter, Chancellor, Connecticut State University System

Larry L. Earvin, President & CEO, Huston-Tillotson University

Bobby Fong, President, Butler University

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

Madlyn L. Hanes, Chancellor, Penn State Harrisburg

Dorothy Leland, President, Georgia College

Chris McCarthy, President, Napa Valley College

Paula E. Peinovich, Managing Partner, Right Sourcing Associates

Barbara R. Snyder, President, Case Western Reserve University

Mary Ann P. Swain, Provost, State University of New York at Binghamton

Craig D. Swenson, Chancellor, Argosy University

Carolyn G. Williams, President, Bronx Community College

2009–2010 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.

Ronald Blumental

Senior Vice President, Kaplan University

Barbara Brittingham

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

William B. DeLauder (Chair)

President Emeritus, Delaware State University

Joanne S. Greathouse

Director, Program in Radiography, Apollo College

Olive M. Kimball

Chief Executive Officer Emerita, National Accrediting Agency for Clinical Laboratory Sciences

J.D. LaRock

Special Assistant to the President, Northeastern University

Estela R. López

Director, Hispanic Health Council, Latino Policy Institute

Sheryl L. Moody

Vice President, General Counsel and Chief Compliance Officer, Anthem Education Group

David Werner

Chancellor Emeritus, Southern Illinois University Edwardsville

2009-2010 CHEA-Recognized Accrediting Organizations

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

Northwest Commission on Colleges and Universities

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, Inc.

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

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2009-2010 CHEA-Recognized Accrediting Organizations

American Board of Funeral Service Education, Committee on Accreditation
American Council for Construction Education
American Culinary Federation Education Foundation, Inc. Accrediting Commission
American Dietetic Association, Commission on Accreditation for Dietetics Education
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, Committee 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
Formerly National Association of Industrial Technology
Aviation Accreditation Board International
Commission on Accreditation of Allied Health Education Programs
Commission on Accreditation of Healthcare Management Education
Commission on Collegiate Nursing 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 Accreditation of Parks, Recreation, Tourism, and Related Professions
Council on Chiropractic Education, Commission on Accreditation
Council on Rehabilitation Education, Commission on Standards and Accreditation
Council on Social Work Education Office, Commission on Accreditation
Joint Review Committee on Education Programs in Radiologic Technology
Joint Review Committee on Educational Programs in Nuclear Medicine Technology

(continued)

* Recognized by CHEA in January, 2010

2009-2010 CHEA-Recognized Accrediting Organizations

National Accrediting Agency for Clinical Laboratory Sciences

National Association of Schools of Art and Design, Commission on Accreditation

National Association of Schools of Dance, Commission on Accreditation

National Association of Schools of Music Commission on Accreditation and Commission on Community/Junior College Accreditation

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

National Association of Schools of Theatre, Commission on Accreditation

National Council for Accreditation of Teacher Education

National League for Nursing Accrediting Commission, Inc.

Planning Accreditation Board

Society of American Foresters

Teacher Education Accreditation Council, Inc.



Frank Murray, President, Teacher Education Accreditation Council



Belle Wheelan, President, Commission on Colleges, Southern Association of Colleges and Schools

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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