

Council for  
Higher Education  
Accreditation



2014-2015  
ANNUAL REPORT

CHEA

Council for  
Higher Education  
Accreditation

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CHEA International Quality Group

CIQG

## **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 President

Dear Colleagues:

If ever there was a year that made it clear why CHEA's vigorous advocacy is important, it was 2014-2015. Accreditation and its value to students and society were routinely questioned and often criticized by members of Congress, media and even some presidential candidates.

When accreditation was characterized as a "cartel," when there are calls for new accreditors in place of our current organizations, CHEA was there. When the rigor and effectiveness of accreditation was challenged and even attacked, CHEA was there – energetic, engaged and dedicated to the value of the work of accreditation. Examples include:

- CHEA made the strength of accreditation and its value to students and society its central message to lawmakers, policy leaders and media, routinely countering the negative characterization of accrediting organizations.
- CHEA worked with key staff and members of the Senate and House of Representatives and with leadership of the U.S. Department of Education, making the case for accreditation and urging that federal attention going forward address the streamlining of law and regulation as part of assuring the future effectiveness of accreditation.
- CHEA kept its recognition review of accrediting organizations strong, as part of our work to build trust and confidence in peer review as central to higher education quality.

We are there for accreditation because institutions are there for CHEA. We thank all of you who support CHEA through your membership. Please take a few minutes to read more about our work on your behalf.

We look forward to continuing that work in 2015-2016.



A handwritten signature in black ink, appearing to be the initials 'JG' followed by a long, sweeping flourish.

President  
Council for Higher  
Education Accreditation

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## 2014-2015: A Year of Challenge

2014-2015 was a year in which accreditation was often both center stage and under siege, as members of Congress, media and even presidential candidates questioned its value and effectiveness. The Council for Higher Education Accreditation (CHEA) played a vital role in advancing accreditation, through advocacy work on Capitol Hill and with the Administration, through its recognition of accrediting organizations and through the CHEA International Quality Group (CIQG) that serves as a forum to address accreditation and quality assurance internationally.

### Government Relations: Advocacy for Accreditation

CHEA worked to build understanding and support in Congress and the U.S. Department of Education (USDE) for the value of accreditation and its role in advancing academic quality.

In 2014-2015, CHEA met regularly with leaders of the Senate and House education committees and worked throughout the year to engage and inform committee staff about accreditation and its historical role in advancing quality in higher education. CHEA sought to shape ideas about investment in accreditation as Congress began the reauthorization process for the Higher Education Act. This included information and policy recommendations for changes in law and regulation to reframe the division of responsibilities between accreditation and government, to streamline the federal recognition review of accrediting organizations and to promote a stronger partnership between government and accreditation. If successful, these efforts can encourage and support additional innovation, rigor and public accountability in accreditation. This is an ongoing conversation in which CHEA was and remains an important voice.



Virginia Foxx (R-NC), Chair of the House Subcommittee on Higher Education and Workforce Training, with CHEA President Judith Eaton at the CHEA 2015 Annual Conference.

CHEA participated in the Task Force on Government Regulation of Higher Education established by Senate Health, Education, Labor and Pensions Committee Chair Lamar Alexander (R-TN). CHEA's suggestions on accreditation-related regulations were reflected in the final report's language, emphasizing the importance of reducing the burden of regulatory compliance on accrediting organizations and accredited institutions and discouraging unnecessary management by USDE. CHEA was routinely involved with USDE leadership and key staff to address issues emerging as central to accreditation throughout the year: innovation, alternative paths to federal student aid and transparency. CHEA also worked to discourage the implementation of the College Ratings System, viewing this development as diminishing the broad commitment to academic quality and intellectual development that characterizes higher education.

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## A Voice to the Public on Accreditation

In 2014-2015, CHEA's voice was heard regularly on a variety of accreditation-related issues. CHEA President Judith Eaton spoke at conferences and special events, addressing accreditation and its contributions to assuring educational quality. Eaton authored commentaries that appeared in publications including *Roll Call*, *The Hill* and *Inside Higher Education*. Eaton also was quoted in a series of *Wall Street Journal* articles on accreditation and was featured in a *Today Show* segment on degree mills. And media turned regularly to CHEA for comments on accreditation-related news, from national publications such as *U.S. News & World Report* to higher education publications including *The Chronicle of Higher Education* and *University World News*.

CHEA offered an important balance to attacks on accreditation's effectiveness and rigor. The result was a steady stream of quotes and commentaries from CHEA providing clear, fact-based information on accreditation and its historical role in advancing the quality of higher education.

CHEA's short videos on topics ranging from types of accreditation to degree mills to interviews with presidents and chancellors of colleges and universities were viewed thousands of times on the CHEA Website and via social media such as YouTube, Facebook and Twitter. The *CHEA Database of Institutions and Programs Accredited by Recognized U.S. Accrediting Organizations* provided vital information to more than 800,000 visitors in 2014-2015. And the CHEA Website continued to provide a wealth of new and archival information on accreditation. As a result, CHEA continued to serve as an important resource for fact-based information on accreditation, its work and its value.

## Helping to Lead the Discussion on Innovation and Accreditation: The Quality Platform

Launched in July 2014, the CHEA *Quality Platform* is a response to the growing importance of innovative, non-institutional higher education offered outside traditional colleges and universities, such as Massive Open Online Courses (MOOCs), competency-based offerings and private companies that provide courses perhaps intended for credit. The *Quality Platform* offered an outcomes-based external review of alternative providers of higher education for their performance and quality in order to serve students and the public by assuring and improving quality in this sector.

A CHEA Webinar on the *Quality Platform* in August 2014 drew more than 200 registrants from the United States and countries around the world. The *Quality Platform* has also been the focus of CHEA and CIQG presentations and publications. And a pilot review of a non-institutional higher education provider was undertaken in 2015, testing the effectiveness of the Platform and seeking guidance in improving this effort.

In September 2014, a report from the CHEA/Presidents' Forum Commission on *Quality Assurance and Alternative Higher Education* was released. The Commission also focused on the emerging non-institutional sector and its service to students. Higher education associations and non-institutional providers were involved in the development of the report intended to establish a foundation for national discussion of the quality and effectiveness of these providers and their offerings.

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## The CHEA International Quality Group: A Leader of the International Conversation on Quality Assurance

CHEA's role as a leader on issues related to quality assurance around the world has grown significantly since the launch of CIQG in 2012. Institutions, organizations and individuals from Asia, Africa, Australia, Europe and North and South America have become CIQG members or participated in gatherings including the CIQG 2015 Annual Meeting, attended by representatives from 35 countries.

The CIQG Advisory Council, which includes higher education and quality assurance experts from nine countries around the world, helps to set the agenda for CIQG activities. The Council developed a set of *International Quality Principles* that can serve as a foundation for future discussions of international quality assurance and countries working together in this important area. Since their release in May 2015, the *Principles* have been the topic of sessions at a number of international meetings addressing quality assurance.

CIQG publications in 2014-2015 included its newsletter, *Quality International*, and *CIQG Policy Briefs*. These publications provided information on vital issues including cross-border quality reviews, corruption in higher education and rankings and quality assurance. The latest addition to the CHEA/CIQG Publications Series – *Is Big Brother Watching You? The Evolving Role of the State in Regulating and Conducting Quality Assurance* – was made available in English, Chinese and Arabic versions.



*CHEA/CIQG International Quality Principles*, released in May 2015, have generated interest and discussion around the world.

In addition to CIQG's work, CHEA's President participated in international meetings throughout the world and CHEA hosted international delegations visiting CHEA's headquarters, providing information on U.S. accreditation and its work to enhance higher education quality in the United States. CHEA also hosted a U.S. Department of State EducationUSA Leadership Institute in Washington, DC, bringing together educators from around the world to explore opportunities for capacity building and international cooperation and providing participants with insight into both U.S. and international accreditation and quality assurance.

## CHEA Recognition of Accrediting Organizations

Recognition of U.S. accrediting organizations – including regional, national career-related, national faith-related and programmatic accreditors – is a key activity for CHEA. As of June 30, 2015, CHEA recognized 61 regional, national and programmatic accrediting organizations. The CHEA Committee on Recognition met three times in 2014-2015 and recommended action on 20 accrediting organizations seeking CHEA recognition.

Acknowledging the changing higher education landscape and the changes in expectations of the role of accreditation, the Committee on Recognition began review and potential revision of the *CHEA Recognition Policy and Procedures* to assure that it adequately addresses calls for greater accountability, transparency and attention to student outcomes.

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Released in 2015, the *CHEA 2013 Almanac of External Quality Review* provided a comprehensive source of information on accreditation that is accessible to members, government and the public. The *CHEA Almanac Online*, updated quarterly, served as an outstanding source of statistical information on accreditation and its operation.

### The *CHEA Award: Acknowledging Outstanding Practice in Student Learning Outcomes*

Each year, the *CHEA Award for Outstanding Institutional Practice in Student Learning Outcomes* recognizes a select group of institutions and programs for their work related to the use of student learning outcomes.

Established in 2005, the *CHEA Award* acknowledges outstanding practices in developing and applying evidence of student learning outcomes as part of the ongoing accountability, evaluation and improvement of college and university programs of study. Publicizing outstanding practices helps to highlight higher education's focus on student learning outcomes and how this information is used by institutions and programs to improve educational offerings and outcomes. CHEA members apply for this important award, with award winners chosen by a committee of peers from colleges, universities and higher education institutions.

This year's award winners were:

- **Boston Architectural College**, a private nonprofit institution offering bachelor's and master's degree programs in architecture, interior architecture and landscape architecture and design studies, combining academic coursework with assessment of professional skills gained through non-classroom instruction and discipline-specific employment. The 2015 *CHEA Award* recognized the college's Practice Department that creates and oversees an effective partnership, or "learning contract" among educators, students and practitioners, including documentation of experiential learning.



- **James Madison University**, a public institution that offers bachelor's, master's and doctoral degrees in a variety of fields. The 2015 *CHEA Award* recognized the university for assessing the quality of its assessment practice, a form of meta-assessment. This effort has involved review and rating of the institution's assessment practices across academic programs, monitoring assessment quality, addressing strengths and weakness and using the assessment system to communicate how assessment has affected student learning.





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## Looking Ahead

As 2014-2015 ended, accreditation continued to experience intense focus from Congress, USDE and the media, with some questioning accreditation's ability to advance academic quality and protect students. Even presidential candidates discussed ideas for how alternatives to accreditation might support and encourage innovative higher education by nontraditional providers.

CHEA will continue to play an active role in discussions of accreditation policy, including how accreditation will be addressed both in Higher Education Act reauthorization legislation and in other legislative proposals or actions by Congress or USDE. Attention to accreditation and proposals for change are not confined to reauthorization. For this reason, CHEA will work closely with Congressional education committee leaders and key USDE staff as a strong advocate for academic quality through accreditation and offer recommendations and response to proposed reauthorization bills. We will continue to make the case that the division of responsibilities between accreditation and government needs to be restated and refocused, that the federal recognition review of accrediting organizations needs to be streamlined and that accreditation itself, not government, needs to work toward greater rigor, increased accountability and promotion of innovation in accreditation.

Through the CHEA *Quality Platform*, CHEA will serve as a leader of the evolving conversation on quality review of nontraditional higher education providers. CIQG will bring together representatives from higher education institutions, accrediting organizations and quality assurance bodies, associations, businesses and foundations to engage quality assurance issues internationally and to identify the challenges and opportunities ahead. The *International Quality Principles* will stimulate discussion of international higher education quality and quality assurance.

In 2015-2016, CHEA will work to influence federal policy, promoting the value of peer review, academic freedom and focus on institutional mission while noting that traditional accreditation must also embrace and encourage innovation. We will also continue to work to assure that the recognition process is responsive to the evolving role of accreditation in quality assurance. Throughout 2015-2016, CHEA will also seek to identify opportunities for accreditation to provide even greater value to students and society.

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## Publications in 2014-2015

- *CHEA/CIQG International Quality Principles* (May 2015)
- *Quality International, Volume 6* (Featuring a Report on the 2015 CIQG Annual Meeting and Articles on Quality Assurance and Academic Corruption, Sustainable Development and Human Security in Africa, the Organisation for Economic Co-operation and Development's Assessment of Higher Education Learning Outcomes Study and more, June 2015)
- "Learn From the Trend and Local Practice – An Interview With Dr. Judith S. Eaton" (in *Macao Higher Education Magazine*, May 2015)
- "New Bills Protect Academic Quality Through Calls for Reducing Regulation" (Commentary by CHEA President Judith Eaton in *The Hill*, March 30, 2015)
- "Will Ratings Displace Accreditation?" (Editorial by CHEA President Judith Eaton in *Inside Higher Ed*, March 31, 2015)
- *Is Big Brother Watching You? The Evolving Role of the State in Regulating and Conducting Quality Assurance* (by Jamil Salmi, Global Tertiary Education Expert and Former World Bank Tertiary Education Coordinator January 2015)  
(Available in Arabic and Chinese Translations)
- "Accreditation: What It Does and What It Should Do" (by CHEA President Judith Eaton in *Change Magazine*, January/February 2015)
- *CIQG Policy Brief # 4 – "Rankings and Quality Assurance: Do Rankings Measure Quality?"* (by Ellen Hazelkorn, Higher Education Policy Research Unit, Dublin Institute of Technology, January 2015)
- "The Midterm Elections: What Do They Mean for Accreditation?" (Commentary by CHEA President Judith Eaton, *Roll Call*, November 17, 2014)
- *Quality Assurance and Alternative Higher Education: A Policy Perspective* (A Report by the Commission on Quality Assurance and Alternative Higher Education, CHEA and The Presidents' Forum, August 2014)
- "Want to Bring Together Congressional and College Leaders? Propose a College Ratings System" (Commentary by CHEA President Judith Eaton, *Roll Call*, August 22, 2014)
- *Quality International, Volume 5* (Featuring an Interview with Jagannath Patil, President of the Asian Pacific Quality Network, and Articles on Rankings, Alternative Providers of Higher Education, Quality Assurance in Europe and Africa and more, January 2015)

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COUNCIL FOR HIGHER EDUCATION ACCREDITATION  
WASHINGTON, D.C.

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FINANCIAL REPORT  
FOR THE YEARS ENDED  
JUNE 30, 2015 AND 2014

REGARDIE, BROOKS & LEWIS  
CHARTERED  
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS



**REGARDIE, BROOKS & LEWIS**

CHARTERED

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INDEPENDENT AUDITOR'S REPORT

September 11, 2015

To the Board of Directors  
Council for Higher Education Accreditation  
Washington, D.C.

We have audited the accompanying financial statements of Council for Higher Education Accreditation (the Council) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Council for Higher Education Accreditation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Regardie Brooks & Lewis*

Certified Public Accountants

COUNCIL FOR HIGHER EDUCATION ACCREDITATION  
WASHINGTON, D.C.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2015</u>	<u>2014</u>
Cash and cash equivalents:		
Undesignated	\$ 2,598,954	\$ 2,496,439
Designated (note 5)	288,489	310,065
Total	<u>2,887,443</u>	<u>2,806,504</u>
Accounts receivable	5,750	554
Prepaid expenses	30,448	30,841
Investments (note 3)	3,062,734	2,886,316
Investment in nonqualified employee benefit plan (note 10)	352,377	321,790
Property and equipment, net (note 4)	187,779	201,023
Trademark and copyright costs, net	<u>814</u>	<u>1,332</u>
 Total assets	 <u>\$ 6,527,345</u>	 <u>\$ 6,248,360</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 317,436	\$ 219,308
Deferred rent	57,052	68,411
Obligation under nonqualified employee benefit plan (note 10)	<u>352,377</u>	<u>321,790</u>
 Total liabilities	 <u>726,865</u>	 <u>609,509</u>

NET ASSETS

Unrestricted (note 5)	4,083,542	4,032,591
Temporarily restricted (note 6)	<u>1,716,938</u>	<u>1,606,260</u>
Total net assets	<u>5,800,480</u>	<u>5,638,851</u>
 Total liabilities and net assets	 <u>\$ 6,527,345</u>	 <u>\$ 6,248,360</u>

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

REGARDIE, BROOKS & LEWIS  
CHARTERED  
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

COUNCIL FOR HIGHER EDUCATION ACCREDITATION  
WASHINGTON, D.C.

STATEMENTS OF ACTIVITIES

	Years ended June 30,	
	2015	2014
<u>Unrestricted net assets:</u>		
<u>Revenues:</u>		
Membership dues (contributions), including net assets released	\$ 2,751,241	\$ 2,718,535
International dues	52,588	50,199
Conference fees	227,085	232,428
Recognition fees	12,000	56,000
Eligibility fees	4,000	10,000
Investment return (note 3)	29,197	226,509
Publication revenues and other	1,471	4,448
Total revenues	3,077,582	3,298,119
<u>Expenses:</u>		
Personnel	1,528,828	1,661,407
Conferences	260,309	225,771
International Quality Group	257,661	113,947
Recognition services	187,282	110,617
Accreditation Advocacy Campaign	198,942	146,166
Professional fees	149,127	121,655
Office expenses	95,516	92,017
Committees	51,737	69,969
Travel	13,649	22,490
Printing and publication	32,801	41,242
Occupancy costs (note 11)	135,584	130,267
Information systems	33,748	32,729
Depreciation and amortization	57,971	59,416
Website	2,153	1,636
Sponsorship	21,323	16,013
Total expenses	3,026,631	2,845,342
Change in unrestricted net assets	50,951	452,777
<u>Temporarily restricted net assets:</u>		
Membership dues (contributions)	1,716,938	1,562,185
Net assets released from restrictions	(1,606,260)	(1,554,190)
Change in temporarily restricted net assets	110,678	7,995
Change in net assets	161,629	460,772
Net assets at beginning of year	5,638,851	5,178,079
Net assets at end of year	\$ 5,800,480	\$ 5,638,851

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

REGARDIE, BROOKS & LEWIS  
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COUNCIL FOR HIGHER EDUCATION ACCREDITATION  
WASHINGTON, D.C.

STATEMENTS OF CASH FLOWS

	Years ended June 30,	
	2015	2014
<u>Cash flows from operating activities:</u>		
Change in net assets (Exhibit "B")	\$ 161,629	\$ 460,772
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	57,971	59,416
Net investment losses (gains)	107,986	(136,666)
Loss on disposal of property and equipment	-	622
Changes in:		
Accounts receivable	(5,196)	9,536
Prepaid expenses	393	(6,656)
Accounts payable and accrued expenses	98,128	14,093
Deferred rent	(11,359)	(4,050)
Net cash provided by operating activities	409,552	397,067
<u>Cash flows from investing activities:</u>		
Proceeds from sale of investments	116,964	55,385
Purchases of investments	(401,368)	(1,713,413)
Purchases of property and equipment	(44,209)	(163,513)
Net cash used in investing activities	(328,613)	(1,821,541)
Net increase (decrease) in cash and cash equivalents	80,939	(1,424,474)
Cash and cash equivalents at beginning of year	2,806,504	4,230,978
Cash and cash equivalents at end of year	\$ 2,887,443	\$ 2,806,504

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

REGARDIE, BROOKS & LEWIS  
CHARTERED  
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS



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COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

1 - Organization.

The 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 in accordance with accounting principles generally accepted in the United States of America.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Council or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Council. Generally, the donors of these assets permit the Council to use the income earned on related investments for specific purposes.

Revenue and gains are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses and losses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

B. Accounts receivable.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. All amounts are deemed collectible.

C. Investments.

The Council carries investments at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. The Council invests in various mutual funds. These investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

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COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

2 - Significant accounting policies (continued).

D. Property and equipment.

Property and equipment are recorded at cost. Furniture, equipment, computer equipment, and software greater than \$1,000 are capitalized and then depreciated using the straight-line method over the estimated service lives of the assets (3-7 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.

E. Use of estimates.

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported financial statement amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

F. Cash and cash equivalents.

Money market funds not classified as investments and certificates of deposit are considered to be cash equivalents.

3 - Investments.

The Council implemented an investment policy whereby its reserve funds are divided into three separate pools to manage its investment risk and to optimize investment returns.

- The Cash Fund – is intended to assist with unanticipated temporary operating contingencies and enhance the Council's financial stability, equal to one month's operating expenses (or at least \$200,000).
- Fixed Income Fund – is intended to serve as a source to build overall reserves and to provide emergency resources as needed, equal to two months operating expenses (or at least \$400,000).
- Diversified Portfolio Fund – is intended to sustain long-term investment to build the Council's assets without exposure to undue risk.

These investment pools are managed at risk levels equivalent to the sectors of the market represented. Control of the investment reserves will be vested in the Board of Directors, the Reserve, Investment and Audit Committee, the Council staff and an external investment advisor with specific levels of responsibility. The investment guidelines and restrictions included in the policy serve as a framework to achieve the investment objectives at a level of risk that the Board deems acceptable.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

3 - Investments (continued).

A summary of investments by objective is as follows:

	June 30, 2015		June 30, 2014	
	Cost	Fair Value	Cost	Fair Value
Cash Fund	\$ 200,239	\$ 200,239	\$ 200,025	\$ 200,126
Fixed Income Fund	422,944	410,091	413,351	414,086
Diversified Portfolio Fund	2,428,697	2,452,404	2,154,984	2,272,104
Total	<u>\$ 3,051,880</u>	<u>\$ 3,062,734</u>	<u>\$ 2,768,360</u>	<u>\$ 2,886,316</u>

A summary of investments held is as follows:

	June 30, 2015		June 30, 2014	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 30,464	\$ 30,464	\$ 27,076	\$ 27,076
Open End Mutual Funds:				
Money Market Fund	200,239	200,239	200,025	200,126
World Allocation	176,408	177,887	167,535	179,979
Tactical Allocation	205,919	193,651	147,531	149,519
Large Value	661,080	723,214	649,824	715,893
MultiSector Bond	453,501	444,835	418,881	424,564
World Stock	339,181	352,467	247,620	265,011
Small Blend/Growth	88,056	87,392	82,537	89,661
World Bond	474,088	442,494	413,980	420,401
Subtotal	<u>2,598,472</u>	<u>2,622,179</u>	<u>2,327,933</u>	<u>2,445,154</u>
Mutual Funds:				
Intermediate term bond	319,082	312,988	309,489	309,968
High yield bond	103,862	97,103	103,862	104,118
Subtotal	<u>422,944</u>	<u>410,091</u>	<u>413,351</u>	<u>414,086</u>
Total	<u>\$ 3,051,880</u>	<u>\$ 3,062,734</u>	<u>\$ 2,768,360</u>	<u>\$ 2,886,316</u>

Investment return consists of the following for the years ended June 30:

	2015	2014
Interest and dividend income	\$ 161,493	\$ 105,142
(Losses) gains on investments	(107,986)	141,836
Investment fees	(24,310)	(20,469)
Total	<u>\$ 29,197</u>	<u>\$ 226,509</u>

REGARDIE, BROOKS & LEWIS  
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COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

4 - Property and equipment.

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

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 103,660	\$ 103,660
Computer equipment and software	167,148	122,938
Leasehold improvements	<u>236,194</u>	<u>236,194</u>
Total cost	507,002	462,792
Less: Accumulated depreciation/amortization	<u>(319,223)</u>	<u>(261,769)</u>
Total	<u>\$ 187,779</u>	<u>\$ 201,023</u>

5 - Unrestricted net assets – undesignated and designated.

Undesignated and designated unrestricted net assets consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Undesignated	<u>\$ 732,319</u>	<u>\$ 836,210</u>
Designated:		
Fixed asset fund	156,559	200,768
Board designated reserve fund	2,404,648	2,235,466
Directors Book Fund	658,087	650,850
International Quality Group	-	925
Accreditation Advocacy Campaign	59,429	108,372
Member survey	<u>72,500</u>	<u>-</u>
Total designated	<u>3,351,223</u>	<u>3,196,381</u>
Total unrestricted net assets	<u>\$ 4,083,542</u>	<u>\$ 4,032,591</u>

During 2014, an adjustment was made to the Board Designated Reserve to align the designations with the investment balance as of June 30, 2014.

Directors 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 \$51,865 in 2014. No transfers were approved in 2015. Upon recommendation of the Reserve, Investment and Audit Committee, assets were transferred from certificate of deposits and money market accounts at Merrill Lynch to the Diversified portfolio Fund with HDVest. Income earned on specified investment accounts is added to the principal of this Fund. The Directors Book Fund earned investment income (net of expense) of \$7,236 and \$47,933 during the years ended June 30, 2015 and 2014, respectively. No expenses were incurred from this Fund during the years ended June 30, 2015 and 2014.

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COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

6 - Temporarily restricted net assets.

Temporarily restricted net assets (restricted for purpose) consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 1,606,260	\$ 1,598,265
Activity:		
Dues (contributions) payments for future operations	1,716,938	1,606,260
Restricted contribution/(repayment)	-	(44,075)
Expiration of time - future operations	(1,606,260)	(1,548,265)
Satisfaction of program restrictions	<u>-</u>	<u>(5,925)</u>
Ending balance	<u>\$ 1,716,938</u>	<u>\$ 1,606,260</u>

7 - Fair value.

Fair value measurement is reported in one of the three levels which are 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. The fair values of money market funds and mutual funds are based on quoted market prices which are available on an active market.
- 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. The fair value of the annuities is reported at contract value.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

7 - Fair value (continued).

	June 30, 2015			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash	\$ 30,464	\$ -	\$ -	\$ 30,464
Open end mutual funds	2,622,179	-	-	2,622,179
Intermediate term bond	312,988	-	-	312,988
High yield bond	97,103	-	-	97,103
Total	<u>3,062,734</u>	<u>-</u>	<u>-</u>	<u>3,062,734</u>
Section 457 (b) Plan assets:				
Retirement annuities	293,349	-	59,028	352,377
Total	<u>\$ 3,356,083</u>	<u>\$ -</u>	<u>\$ 59,028</u>	<u>\$ 3,415,111</u>
Liabilities:				
Obligation under employee benefit plan	<u>\$ 293,349</u>	<u>\$ -</u>	<u>\$ 59,028</u>	<u>\$ 352,377</u>
	June 30, 2014			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash	\$ 27,076	\$ -	\$ -	\$ 27,076
Open end mutual funds	2,445,154	-	-	2,445,154
Intermediate term bond	309,968	-	-	309,968
High yield bond	104,118	-	-	104,118
Total	<u>2,886,316</u>	<u>-</u>	<u>-</u>	<u>2,886,316</u>
Section 457 (b) Plan assets:				
Retirement annuities	269,022	-	52,768	321,790
Total	<u>\$ 3,155,338</u>	<u>\$ -</u>	<u>\$ 52,768</u>	<u>\$ 3,208,106</u>
Liabilities:				
Obligation under employee benefit plan	<u>\$ 269,022</u>	<u>\$ -</u>	<u>\$ 52,768</u>	<u>\$ 321,790</u>

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COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

7 - Fair value (continued).

Level 3 gains and losses:

The following table presents the Council's activity for investments and liabilities measured at fair value on a recurring basis using significant unobservable inputs at June 30:

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ 52,768	\$ 46,721
Total realized and unrealized gains	1,833	1,672
Purchases, issuances and settlements	<u>4,427</u>	<u>4,375</u>
Balance at end of year	<u>\$ 59,028</u>	<u>\$ 52,768</u>

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

8 - Functional expenses.

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 30:

	<u>2015</u>	<u>2014</u>
Program services:		
Membership services	\$ 1,127,902	\$ 980,231
Government relations	708,116	652,327
Recognition policy	498,563	560,678
CIQG	<u>381,548</u>	<u>303,051</u>
Total program services	2,716,129	2,496,287
Supporting services:		
Management and general	<u>310,502</u>	<u>349,055</u>
Total expenses	<u>\$ 3,026,631</u>	<u>\$ 2,845,342</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 balances in excess of FDIC Insurance (\$250,000) at June 30, 2015 is \$1,728,225.

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COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO 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. In 2014, the Council increased the contribution from 10 to 12 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.

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 \$352,377 as of June 30, 2015 and \$321,790 as of June 30, 2014 appear in the statements of financial position.

For the years ended June 30, 2015 and 2014, the Council contributed \$138,472 and \$147,883, 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. During 2014, an additional 224 sq. ft. were added to the existing lease. The lease agreement provides for a minimum annual base rent plus the lessee's prorated share of real estate taxes and building operating expenses. The rental expense is recorded on the straight-line method over the terms of the lease agreement resulting in a deferred rent liability. Future minimum payments under the lease are as follows:

Years Ending June 30,

2016	\$ 147,502
2017	147,502
2018	<u>147,502</u>
Total	<u>\$ 442,506</u>

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

	<u>2015</u>	<u>2014</u>
Rent	\$ 129,100	\$ 124,370
Parking	2,541	2,335
Repairs & Maintenance	2,875	1,874
Storage	<u>1,068</u>	<u>1,688</u>
Total	<u>\$ 135,584</u>	<u>\$ 130,267</u>



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COUNCIL FOR HIGHER EDUCATION ACCREDITATION

NOTES TO FINANCIAL STATEMENTS

12 - Employment agreement.

The Council has an employment agreement with its President. The term of the agreement is April 29, 2003 through June 30, 2018, with a sabbatical leave from July 1, 2018 through June 30, 2019. During the sabbatical leave, the President will provide services to the Council. These services include authoring a book on higher education as described in note 5.

13 - Tax status.

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 jurisdictions 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 2011. 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 September 11, 2015 the date the financial statements were available to be issued.

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## 2014–2015 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

**Dorothy Leland**, *Chair*, Chancellor, University of California, Merced

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

**Harold L. Martin, Sr.**, *Secretary*, Chancellor, North Carolina Agricultural and Technical State University

**Satish Tripathi**, *Treasurer*, President, University at Buffalo, State University of New York

**David Maxwell**, *Member-at-Large*, President, Drake University

**John E. Bassett**, *Immediate Past Chair*, President, Heritage University

### BOARD OF DIRECTORS

**James L. Gaudino**, President, Central Washington University

**Cynthia Jackson-Hammond**, President, Central State University

**David Johnson, III**, Regulatory Compliance Officer, Total Care Auto

**Bob Kerrey**, Managing Director, Allen and Company

**Paul LeBlanc**, President, Southern New Hampshire University

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**Judy C. Miner**, President, Foothill College

**Elsa Núñez**, President, Eastern Connecticut State University

**George A. Pruitt**, President, Thomas Edison State College

**Ann E. Rondeau**, Vice Admiral, U.S. Navy (Ret.)

**Paula M. Rooney**, President, Dean College

**Craig D. Swenson**, Chancellor Emeritus and Professor, Argosy University

**Lesley Wilson**, Secretary General, European University Association

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## 2014–2015 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

**Daniel Aleshire**

Executive Director, Commission on Accrediting of the Association of Theological Schools

**Paulette Brown Bracy**

Director, Office of University Accreditation, North Carolina Central University

**Barbara Brittingham**

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

**Mary Jane Harris**

Higher Education Consultant

**David K. Holger**

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

**E. Clorissa Phillips**

Education Consultant

**Mary Ann P. Swain**

Professor, Decker School of Nursing, State University of New York at Binghamton

**David Werner**

Chancellor Emeritus, Southern Illinois University Edwardsville

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# CHEA-Recognized Accrediting Organizations (As of June 30, 2015)

## National Faith-Related

Association for Biblical Higher Education Commission on Accreditation  
Association of Advanced Rabbinical and Talmudic Schools Accreditation Commission  
Commission on Accrediting of the Association of Theological Schools  
Transnational Association of Christian Colleges and Schools Accreditation Commission

## National Career-Related

Accrediting Council for Independent Colleges and Schools  
Distance Education Accrediting Commission

## Regional

Accrediting Commission for Community and Junior Colleges Western Association of Schools and Colleges  
Higher Learning Commission  
Middle States Commission on Higher Education  
New England Association of Schools and Colleges Commission on Institutions of Higher Education  
Southern Association of Colleges and Schools Commission on Colleges  
WASC Senior College and University Commission

## Programmatic

AACSB International – The Association to Advance Collegiate Schools of Business  
ABET  
Accreditation Commission for Audiology Education  
Accreditation Commission for Education in Nursing  
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 Academy of Forensic Sciences Forensic Science Education Programs Accreditation Commission  
American Association of Family and Consumer Sciences Council for Accreditation  
American Board of Funeral Service Education Committee on Accreditation  
American Council for Construction Education

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# CHEA-Recognized Accrediting Organizations (As of June 30, 2015)

American Culinary Federation Education Foundation, Inc. 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 for Health Informatics and Information Management Education  
Commission on Accreditation for Marriage and Family Therapy Education American Association for  
Marriage and Family Therapy  
Commission on Accreditation for Respiratory Care  
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 for Standards in Human Service Education  
Council for the Accreditation of Education Preparation  
Council on Accreditation of Nurse Anesthesia Educational Programs  
Council on Chiropractic Education  
Council on Rehabilitation Education Commission on Standards and Accreditation  
Council on Social Work Education Commission on Accreditation  
International Assembly for Collegiate Business Education  
International Fire Services Accreditation Congress - Degree Assembly  
Joint Review Committee on Education in Radiologic Technology  
Joint Review Committee on Educational Programs in Nuclear Medicine Technology

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# **CHEA-Recognized Accrediting Organizations**

## **(As of June 30, 2015)**

National Accrediting Agency for Clinical Laboratory Sciences

National Council for Accreditation of Teacher Education

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

Network of Schools of Public Policy, Affairs, and Administration Commission on Peer Review and Accreditation

Planning Accreditation Board

Psychological Clinical Science Accreditation System

Teacher Education Accreditation Council

*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 62 institutional and programmatic accrediting organizations.*

**CHEA**

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION**

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# CHEA

Council for Higher Education Accreditation

More Information About the Council for Higher Education Accreditation  
(CHEA) Is Available at [www.chea.org](http://www.chea.org)



More Information About the CHEA International Quality Group (CIQG)  
Is Available at [www.cheainternational.org](http://www.cheainternational.org)

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