

**Council for
Higher Education
Accreditation**



2015-2016 ANNUAL REPORT

CHEA

Council for
Higher Education
Accreditation

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:

CHEA's vigorous advocacy was more important than ever in 2015-2016 as accreditation and its importance was questioned as never before. When accreditation was characterized as "broken," when its rigor and effectiveness was challenged and when there were calls for new forms of quality review to replace our current system of accreditation, CHEA was the leading voice speaking to the value of accreditation to institutions, students and society.

Please take a few minutes to learn more about our work on behalf of our member colleges and universities in 2015-2016.

Challenges to Accreditation

2015-2016 was a pivotal year for accreditation. The federal government, through the U.S. Department of Education (USDE), increasingly consolidated its authority over accreditation and is now the major actor directing and leading its work. Moreover, the public – whether members of the news media, consumer protection advocates, think tanks or employers – is now in agreement that the primary task of accreditation is public accountability. CHEA played a vital role in advancing the value of 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.



Roger Nozaki, *Senior Policy Advisor, Office of the Under Secretary, USDE*; Jamiene Studley, *Former USDE Deputy Under Secretary and Former Chair, National Advisory Committee on Institutional Quality and Integrity (NACIQI)*; Anthony Guida, *Partner, Duane Morris LLP*; and Susan Phillips, *Chair, NACIQI*, addressed NACIQI's focus on outcomes and accountability and what that suggests about the future of accreditation at the CHEA 2016 Annual Conference in Washington, DC.

CHEA also worked with USDE officials to address accreditation and its vital role in assuring the quality of institutions and programs. In December 2015, CHEA President Judith Eaton provided a colleague briefing on accreditation and student achievement at the fall meeting of USDE’s National Advisory Committee on Institutional Quality and Integrity (NACIQI), the committee that advises the Secretary of Education on the recognition of accrediting organizations.

CHEA met regularly in 2015-2016 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 provided 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 will 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.

Informing the Public on Accreditation

In 2015-2016, 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*, a leading Capitol Hill newspaper. Eaton also was quoted in the *Wall Street Journal* and other national publications. Media turned regularly to CHEA for comments on accreditation-related news. Eaton also sent out a widely cited statement following the meeting of USDE’s National Advisory Committee on Institutional Quality and Integrity in June 2016.

CHEA offered an important balance to attacks on accreditation’s effectiveness and rigor. Numerous quotes and commentaries from CHEA provided clear, fact-based information on accreditation and its historical role in advancing the quality of higher education.

CHEA 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 half a million visitors. 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.



David Carter, *Chancellor Emeritus, Connecticut State University System*, was one of several presidents and chancellors who spoke about accreditation and related issues as part of the CHEA Interview Series.

Reviewing Innovation and Accreditation: The *Quality Platform*

In response to the growing importance of innovative, non-institutional higher education offered outside traditional colleges and universities, CHEA developed the *Quality Platform*, offering an outcomes-based external review of alternative providers of higher education for their performance and quality in order to serve students and the public.

The *Quality Platform* has been the focus of CHEA and CHEA International Quality Group 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 January 2016 the DeTao Masters Academy Advanced Classes was certified as the first *Quality Platform Provider*.

Convening an International Conversation on Quality Assurance: The CHEA International Quality Group

CHEA's role as a leader on issues related to quality assurance around the world has grown significantly since the launch of the CHEA International Quality Group (CIQG). Institutions, organizations and individuals from more than Asia, Africa, Australia, Europe and North and South America have become CIQG members or participated in gathering including the CIQG 2016 Annual Meeting, attended by representatives from more than 30 countries.

CIQG publications in 2015-2016 included its newsletter, *Quality International*, and *CIQG Policy Briefs*. These publications provided members with information on vital issues. And the latest addition to the CHEA/CIQG Publications Series – *The Internationalization of Chinese Higher Education* – was made available in English and Chinese.



The CHEA/CIQG and IIEP/UNESCO expert meeting on academic corruption brought together representatives from accrediting and quality assurance bodies, colleges and universities and higher education associations in Asia, Africa, Europe and North America.

In March 2016, CIQG and the International Institute for Educational Planning (IIEP) of the United Nations Educational, Scientific and Cultural Organization (UNESCO) hosted a two-day expert meeting to address quality assurance, accreditation and the role they play in combating academic corruption. Topics addressed included the background and history of academic corruption in higher education, an overview of quality assurance and its current role in addressing and combating academic corruption and key questions to be considered in developing an advisory on the issue of academic corruption.

Also in March, CIQG launched an important new project: *A Memorandum of Affiliation* to engage quality assurance and accrediting organizations in a shared effort to affirm and promote fundamental principles for higher education quality. By June 2016, more than 20 institutions and organizations from around the world had signed the *Memorandum of Affiliation*.

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.

Recognizing 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, 2016, CHEA recognized 62 regional, national faith-related, national career-related and programmatic accrediting organizations.

The CHEA Committee on Recognition met twice in 2015-2016 and recommended action on 20 accrediting organizations. Three accreditors were recommended for deferral in order to provide evidence to the committee that the accreditor met CHEA recognition standards, and one change of scope was recommended. The CHEA Board of Directors approved these recommendations. The committee also reviewed and accepted 16 interim, special and follow-up reports and approved two modifications of scope of accreditation from accreditors that are currently CHEA-recognized.

Acknowledging Outstanding Practice in Student Learning Outcomes: The CHEA Award

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.

Marc Harris, *Chair and Associate Professor of Chemistry*, accepted the 2016 CHEA Award for Outstanding Institutional Practice in Student Learning Outcomes from CHEA President Judith Eaton, on behalf of the Chemistry Major at Lebanon Valley College.



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. This year's award winner was the Chemistry Major at Lebanon Valley College, Annville, Pennsylvania.

The Year Ahead

In the year ahead – CHEA's 20th year of operation – CHEA will identify opportunities for accreditation to provide even greater value to students and society.

We thank our 3,000 member colleges and universities for their support and involvement in 2015-2016. It is the active participation of our members – as well as members of the CHEA International Quality Group – that enables CHEA to be a leading voice and outspoken advocate for accreditation and quality assurance in the United States and around the world.

We look forward to continuing CHEA's important work in the year ahead.



A handwritten signature in black ink, appearing to be 'JE', written in a cursive style.

Judith Eaton
President
Council for Higher
Education Accreditation

**COUNCIL FOR HIGHER EDUCATION
ACCREDITATION
(A Nonprofit Organization)
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying 2016 financial statements of Council for Higher Education Accreditation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 2016 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.



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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The financial statements of the Council for Higher Education Accreditation as of and for the year ended June 30, 2015, were audited by other auditors whose report dated September 11, 2015, expressed an unmodified opinion on those statements.



CITRIN COOPERMAN COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Bethesda, Maryland
September 27, 2016

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and cash equivalents:		
Undesignated	\$ 2,553,650	\$ 2,598,954
Designated	<u>371,745</u>	<u>288,489</u>
Total cash and cash equivalents	2,925,395	2,887,443
Accounts receivable	6,920	5,750
Prepaid expenses	43,726	30,448
Investments, at fair value	3,102,305	3,062,734
Investments in nonqualified employee benefit plan	366,302	352,377
Property and equipment, net	217,189	187,779
Trademark and copyright costs, net	<u>297</u>	<u>814</u>
TOTAL ASSETS	<u>\$ 6,662,134</u>	<u>\$ 6,527,345</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 237,345	\$ 317,436
Deferred rent	38,035	57,052
Deferred revenues - summer workshop	33,375	-
Obligation under nonqualified employee benefit plan	<u>366,302</u>	<u>352,377</u>
Total liabilities	<u>675,057</u>	<u>726,865</u>
Commitments and contingencies (Notes 8, 9 and 10)		
Net assets:		
Unrestricted	4,219,502	4,083,542
Temporarily restricted	<u>1,767,575</u>	<u>1,716,938</u>
Total net assets	<u>5,987,077</u>	<u>5,800,480</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,662,134</u>	<u>\$ 6,527,345</u>

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Unrestricted net assets:						
Revenues and other support:						
Membership dues	\$ 1,243,824	\$ 1,751,375	\$ 2,995,199	\$ 1,173,981	\$ 1,690,873	\$ 2,864,854
International dues	25,066	16,200	41,266	23,588	26,065	49,653
Conference fees	191,521	-	191,521	227,085	-	227,085
Recognition fees	12,000	-	12,000	12,000	-	12,000
Eligibility fees	2,000	-	2,000	4,000	-	4,000
Investment return	9,817	-	9,817	29,197	-	29,197
Publications and other	73,319	-	73,319	1,471	-	1,471
Net assets released from time restrictions	<u>1,716,938</u>	<u>(1,716,938)</u>	<u>-</u>	<u>1,606,260</u>	<u>(1,606,260)</u>	<u>-</u>
Total revenues and other support	<u>3,274,485</u>	<u>50,637</u>	<u>3,325,122</u>	<u>3,077,582</u>	<u>110,678</u>	<u>3,188,260</u>
Expenses:						
Personnel	1,861,825	-	1,861,825	1,528,828	-	1,528,828
Conferences	261,220	-	261,220	260,309	-	260,309
Professional fees	187,520	-	187,520	149,127	-	149,127
International Quality Group	152,256	-	152,256	257,661	-	257,661
Occupancy costs	134,075	-	134,075	135,584	-	135,584
Office	100,988	-	100,988	95,516	-	95,516
Recognition services	100,091	-	100,091	187,282	-	187,282
Change Magazine	67,222	-	67,222	-	-	-
Printing and publication	60,254	-	60,254	32,801	-	32,801
Committees	59,107	-	59,107	51,737	-	51,737
Information systems	47,742	-	47,742	33,748	-	33,748
Accreditation Advocacy Campaign	41,988	-	41,988	198,942	-	198,942
Depreciation and amortization	33,117	-	33,117	57,971	-	57,971
Travel	21,128	-	21,128	13,649	-	13,649
Sponsorship	8,891	-	8,891	21,323	-	21,323
Website	<u>1,101</u>	<u>-</u>	<u>1,101</u>	<u>2,153</u>	<u>-</u>	<u>2,153</u>
Total expenses	<u>3,138,525</u>	<u>-</u>	<u>3,138,525</u>	<u>3,026,631</u>	<u>-</u>	<u>3,026,631</u>
Change in net assets	135,960	50,637	186,597	50,951	110,678	161,629
Net assets - beginning	<u>4,083,542</u>	<u>1,716,938</u>	<u>5,800,480</u>	<u>4,032,591</u>	<u>1,606,260</u>	<u>5,638,851</u>
NET ASSETS - ENDING	<u>\$ 4,219,502</u>	<u>\$ 1,767,575</u>	<u>\$ 5,987,077</u>	<u>\$ 4,083,542</u>	<u>\$ 1,716,938</u>	<u>\$ 5,800,480</u>

See accompanying notes to financial statements.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 186,597	\$ 161,629
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	33,117	57,971
Realized/unrealized losses	84,494	107,986
Changes in assets and liabilities:		
Accounts receivable	(1,170)	(5,196)
Prepaid expenses and other assets	(13,278)	393
Accounts payable and accrued expenses	(46,716)	98,128
Deferred revenues	<u>(19,017)</u>	<u>(11,359)</u>
Net cash provided by operating activities	<u>224,027</u>	<u>409,552</u>
Cash flows from investing activities:		
Proceeds from sale of investments	119,991	116,964
Purchases of investments	(244,056)	(401,368)
Purchases of property and equipment	<u>(62,010)</u>	<u>(44,209)</u>
Net cash used in investing activities	<u>(186,075)</u>	<u>(328,613)</u>
Net change in cash and cash equivalents	37,952	80,939
Cash and cash equivalents - beginning	<u>2,887,443</u>	<u>2,806,504</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 2,925,395</u>	<u>\$ 2,887,443</u>

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1. ORGANIZATION

The Council for Higher Education Accreditation (the "Council") is a District of Columbia nonprofit 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 ("GAAP").

Basis of presentation

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 recognition

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.

Conference fee revenue is recognized upon completion of the activity. Payments received prior to the completion of the conference is reflected as deferred revenues.

Use of estimates

The preparation of the Council's financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements

Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 820, *Fair Value Measurement*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under the standard, fair value is defined as the exit price or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Council has the ability to access.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash on deposit, certificates of deposit, money market accounts, and investment grade commercial paper that are readily convertible into cash and purchased with original maturities of three months or less. Money market funds not classified as investments are considered to be cash equivalents.

Accounts receivable

Accounts receivable are stated at the amount the Council expects to collect from outstanding balances. As of June 30, 2016 and 2015, management has deemed all accounts receivable to be fully collectible and, therefore, there is no allowance for doubtful accounts for either year.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Council carries investments at their fair values in the statements of financial position. Fair value is determined, when available, from quoted prices on major markets, such as the New York Stock Exchange. 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.

Property and equipment

Acquisitions of property and equipment are recorded at cost. Furniture, equipment, computer equipment and software purchases greater than \$1,000 are capitalized. 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. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss reported in the statements of activities.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are as follows:

Furniture and equipment	3 - 7 years
Software	3 - 7 years
Leasehold improvements	The shorter of the useful life or the term of lease

Income taxes

The Council is recognized as a tax-exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from the federal income taxes on related income pursuant to Section 501(a) of the Code. There was no unrelated business income for the years ended June 30, 2016 and 2015.

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 or local income tax examinations by taxing authorities for years before 2012. Management of the Council believes it has no material uncertain tax positions, and, accordingly, it will not recognize any unrecognized tax liabilities.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, management has evaluated subsequent events through September 27, 2016, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 103,660	\$ 103,660
Computer equipment and software	191,106	167,148
Leasehold improvements	<u>236,194</u>	<u>236,194</u>
Total cost	530,960	507,002
Less: accumulated depreciation and amortization	<u>313,771</u>	<u>319,223</u>
Property and equipment, net	<u>\$ 217,189</u>	<u>\$ 187,779</u>

NOTE 4. 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.

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
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 4. INVESTMENTS (CONTINUED)

A summary of investments by objective at June 30, 2016 and 2015, is as follows

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash Fund	\$ 200,352	\$ 200,352	\$ 200,239	\$ 200,239
Fixed Income Fund	431,253	415,333	422,944	410,091
Diversified Portfolio Fund	<u>2,525,269</u>	<u>2,486,620</u>	<u>2,428,697</u>	<u>2,452,404</u>
Total	<u>\$ 3,156,874</u>	<u>\$ 3,102,305</u>	<u>\$ 3,051,880</u>	<u>\$ 3,062,734</u>

A summary of investments held as of June 30, 2016 and 2015, is as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ <u>37,582</u>	\$ <u>37,582</u>	\$ <u>30,464</u>	\$ <u>30,464</u>
Open-end mutual funds:				
Money market fund	200,352	200,352	200,239	200,239
World Allocation	178,852	185,391	176,408	177,887
Tactical Allocation	218,234	202,589	205,919	193,651
Large Value	699,563	735,643	661,080	723,214
MultiSector Bond	454,331	448,415	453,501	444,835
World Stock	359,507	345,483	339,181	352,467
Small Blend/Growth	89,644	84,859	88,056	87,392
World Bond	<u>487,557</u>	<u>446,658</u>	<u>474,088</u>	<u>442,494</u>
Subtotal	<u>2,688,040</u>	<u>2,649,390</u>	<u>2,598,472</u>	<u>2,622,179</u>
Mutual funds:				
Intermediate term bond	327,391	324,148	319,082	312,988
High-yield bond funds	<u>103,862</u>	<u>91,185</u>	<u>103,862</u>	<u>97,103</u>
Subtotal	<u>431,253</u>	<u>415,333</u>	<u>422,944</u>	<u>410,091</u>
Total	<u>\$ 3,156,875</u>	<u>\$ 3,102,305</u>	<u>\$ 3,051,880</u>	<u>\$ 3,062,734</u>

Investment return consisted of the following for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 118,802	\$ 161,493
Losses on investments	(84,494)	(107,986)
Investment fees	<u>(24,491)</u>	<u>(24,310)</u>
Total	<u>\$ 9,817</u>	<u>\$ 29,197</u>

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5. UNRESTRICTED NET ASSETS - UNDESIGNATED AND DESIGNATED

Undesignated and designated unrestricted net assets consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Undesignated	\$ <u>745,452</u>	\$ <u>732,319</u>
Designated:		
Fixed asset fund	94,549	156,559
Board-designated reserve fund	2,442,216	2,404,648
Directors book fund	660,091	658,087
Change Magazine	127,138	-
Membership development	90,115	-
Accreditation Advocacy Campaign	17,441	59,429
Member survey	<u>42,500</u>	<u>72,500</u>
Total designated	<u>3,474,050</u>	<u>3,351,223</u>
Total unrestricted net assets	<u>\$ 4,219,502</u>	<u>\$ 4,083,542</u>

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 1,716,938	\$ 1,606,260
Activity:		
Dues payments for future operations	1,767,575	1,716,938
Expiration of time - future operations	<u>(1,716,938)</u>	<u>(1,606,260)</u>
Ending balance	<u>\$ 1,767,575</u>	<u>\$ 1,716,938</u>

NOTE 7. 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Program services:		
Membership services	\$ 885,371	\$ 1,127,902
Government relations	647,257	708,116
Change Magazine	77,987	-
Recognition policy	557,642	498,563
CIQG	<u>417,565</u>	<u>381,548</u>
Total program services	2,585,822	2,716,129
Supporting services:		
Management and general	<u>552,703</u>	<u>310,502</u>
Total expenses	<u>\$ 3,138,525</u>	<u>\$ 3,026,631</u>

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 8. 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 Federal Deposit Insurance Corporation insurance (\$250,000) amounted to \$1,766,721 and \$1,728,225 at June 30, 2016 and 2015, respectively.

NOTE 9. RETIREMENT PLANS

The Council maintains a tax-deferred annuity plan qualified under Section 403(b) of the Code. The Council contributes 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 Code.

In 2003, the Council established a Section 457(b) deferred compensation plan as part of its president's contract. In 2005, the deferred compensation plan was expanded to include a top hat group of employees. The assets and liabilities relating to the plans totaling \$366,302 and \$352,377 as of June 30, 2016 and 2015, respectively, appear in the statements of financial position.

For the years ended June 30, 2016 and 2015, the Council contributed \$167,350 and \$138,472, respectively, on behalf of its employees to these plans.

NOTE 10. 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. 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 as of June 30, 2016, are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2017	\$ 147,502
2018	<u>147,502</u>
Total	<u>\$ 295,004</u>

Occupancy costs consisted of the following for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Occupancy	\$ 129,008	\$ 129,100
Parking	2,704	2,541
Repairs and maintenance	1,651	2,875
Storage	<u>712</u>	<u>1,068</u>
Total	<u>\$ 134,075</u>	<u>\$ 135,584</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11. 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.

NOTE 12. FAIR VALUE MEASUREMENTS

Assets and liabilities are measured at fair value based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following table summarizes the Council's fair value measurements on a recurring basis using the valuation hierarchy as of June 30, 2016 and 2015:

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at June 30, 2016	Valuation Technique
Investments:					
Cash	\$ 37,582	\$ -	\$ -	\$ 37,582	(a)
Open-end mutual funds	2,649,390	-	-	2,649,390	(a)
Intermediate term bond	324,148	-	-	324,148	(a)
High-yield bond	<u>91,185</u>	<u>-</u>	<u>-</u>	<u>91,185</u>	(a)
Total investments	<u>\$ 3,102,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,102,305</u>	
Investment in nonqualified employee benefit plan:					
Retirement annuities	<u>\$ 300,726</u>	<u>\$ -</u>	<u>\$ 65,576</u>	<u>\$ 366,302</u>	(a)(c)
Liabilities:					
Obligation under nonqualified employee benefit plan	<u>\$ 300,726</u>	<u>\$ -</u>	<u>\$ 65,576</u>	<u>\$ 366,302</u>	

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
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JUNE 30, 2016 AND 2015

NOTE 12. FAIR VALUE MEASUREMENTS (CONTINUED)

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at June 30, 2015	Valuation Technique
Investments:					
Cash	\$ 30,464	\$ -	\$ -	\$ 30,464	(a)
Open-end mutual funds	2,622,179	-	-	2,622,179	(a)
Intermediate term bond	312,988	-	-	312,988	(a)
High-yield bond	97,103	-	-	97,103	(a)
Total investments	<u>\$ 3,062,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,062,734</u>	
Investment in nonqualified employee benefit plan: Retirement annuities	<u>\$ 293,349</u>	<u>\$ -</u>	<u>\$ 59,028</u>	<u>\$ 352,377</u>	(a)(c)
Liabilities:					
Obligation under nonqualified employee benefit plan	<u>\$ 293,349</u>	<u>\$ -</u>	<u>\$ 59,028</u>	<u>\$ 352,377</u>	

During the year ended June 30, 2016, there were no transfers between levels of the fair value hierarchy.

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 59,028	\$ 52,768
Total realized and unrealized gains	2,048	1,833
Purchases, issuances and settlements	<u>4,500</u>	<u>4,427</u>
Balance at end of year	<u>\$ 65,576</u>	<u>\$ 59,028</u>

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

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

The TIAA Traditional Annuity is reported at contract value as provided by TIAA. The contract value of the TIAA Traditional Annuity equals the accumulated cash contributions, interest credited to the plan's contracts and transfers, if any, less any withdrawals and transfers, if any.

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JUNE 30, 2016 AND 2015

NOTE 12. FAIR VALUE MEASUREMENTS (CONTINUED)

The TIAA Traditional Annuity is not available for sale or transfer on any securities exchange. Accordingly, transactions in similar instruments are not observable. While transactions involving purchases/sales of individual TIAA Traditional contracts are not observable in a public marketplace, contract value provides a good approximation of fair value.

Publications in 2015-2016

- *The Internationalization of Chinese Higher Education* (July 2015)
- *“Game Changer”* (CHEA President Judith Eaton’s Commentary on Accreditation in Roll Call (July 2015))
- *CIQG Policy Brief #5 – Corruption in Higher Education: Can Quality Assurance Make a Difference?* (July 2015)
- *Fact Sheet on the Quality Platform: External Review of Alternative Providers of Higher Education* (August 2015)
- *Arabic Translation of Is Big Brother Watching? The Evolving Role of the State in Regulating and Conducting Quality Assurance* (August 2015)
- *Accreditation in the News, A Compilation of News Articles and Reports Covering Accreditation and Quality Assurance, Launched* (September 2015)
- *Inside Accreditation: A Response to the Wall Street Journal* (October 2015)
- *CIQG Policy Brief #6: Accreditation Going Global* (October 2015)
- *Newly Updated Publications: The Condition of Accreditation and An Overview of U.S. Accreditation* (November 2015)
- *Quality International Volume 7: Articles Addressing Iraqi Higher Education and Accreditation, New Policies in European Quality Assurance, the CIQG International Quality Principles and More* (December 2015)
- *CIQG Policy Brief #7: The CIQG International Quality Principles – Frequently Asked Questions* (April 2016)
- *Quality International Volume 8: Articles on the CHEA/CIQG Memorandum of Affiliation, an Interview with Peter Wells, Head of the UNESCO Higher Education Section and More* (May 2016)
- *Boards and Accreditation: The Basics, The Issues, The Challenges* (May 2016)
- *A Statement from CHEA President Judith Eaton on the National Advisory Committee on Institutional Quality and Integrity and Accreditation* (June 2016)

2015–2016 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.

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2015–2016 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.

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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

CHEA-Recognized Accrediting Organizations

(As of June 30, 2016)

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 Council on Optometric 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

(continued)

CHEA-Recognized Accrediting Organizations (As of June 30, 2016)

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 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 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 Athletic Training Education
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 Educator Preparation
Council on Academic Accreditation in Audiology and Speech-Language Pathology American Speech-Language-Hearing Association
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
Landscape Architectural Accreditation Board American Society of Landscape Architects

(continued)

CHEA-Recognized Accrediting Organizations (As of June 30, 2016)

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



The CHEA Committee on Recognition meets for review of accrediting organizations. From left to right are Committee Chair William DeLauder, President Emeritus, Delaware State University; Mary Ann P. Swain, Professor, Decker School of Nursing, State University of New York at Binghamton; Barbara Brittingham, President and Director, Commission on Institutions of Higher Education, New England Association of Schools and Colleges; and Daniel Aleshire, Executive Director, Commission on Accreditation of the Association of Theological Schools.

CHEA

Council for Higher Education Accreditation

More Information About the Council for Higher Education Accreditation
(CHEA) Is Available at www.chea.org



More Information About the CHEA International Quality Group (CIQG)
Is Available at www.cheainternational.org

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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