

**Council for
Higher Education
Accreditation**

2016-2017 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

In 2016-2017, higher education accreditation found itself with as many questions as answers about the future direction of federal policy and the views of leadership at the U.S. Department of Education. The results of the 2016 elections and the arrival of a new administration meant CHEA, along with the rest of higher education, had to deal with considerable uncertainty about the expectations of the federal government while still continuing its work as an advocate for accreditation's value to students and society.

Throughout this past year, 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 letters, op-eds and inclusion in news stories, 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

As a new administration arrived in Washington and a new Congress began work, CHEA worked to build understanding and support for the value of accreditation and its role in advancing academic quality at the U.S. Department of Education (USDE) and in Congress.

Although any timetable for reauthorization of the Higher Education Act remained uncertain, CHEA determined to provide information and policy recommendations to influence future law. CHEA issued a [Position Paper on Regulatory Relief for Accreditation](#) that offered proposals for the reduction of federal regulation as this applies to

accreditation, whether in law, regulation or sub-regulatory guidance, as part of preserving accreditation's essential strength and independence. The position paper was written and issued to provide policymakers with suggestions for a more effective and efficient regulatory framework for accreditation's work while not reducing accreditation accountability.



Rep. Virginia Foxx (R-NC)

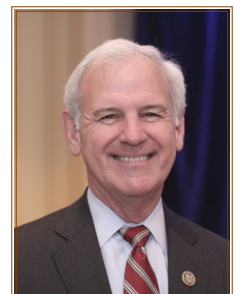


Sen. Elizabeth Warren (D-MA)

CHEA provided an opportunity for members and the accreditation community to hear from leaders in Congress, sharing their views on issues related to accreditation. Congresswoman Virginia Foxx (R-North Carolina), Chair of the House Committee on Education and the Workforce, and Senator Elizabeth Warren (D-Massachusetts), member of the Senate Health, Education, Labor and Pensions Committee, spoke at the CHEA 2017 Annual Conference in January. The CHEA 2017

Summer Workshop featured remarks by Congressmen Bradley Byrne (R-Alabama) and Paul Mitchell (R-Michigan), both members of the House Subcommittee on Higher Education and Workforce Training who have introduced accreditation bills. CHEA also hosted an "Accreditation 101" for key staffers of the House of Representatives as well

as engaged in one-on-one briefings with staff members, focused particularly on staffers whose Members serve on either the House or Senate education committees.



Rep. Bradley Byrne (R-AL)



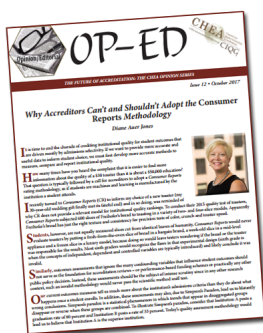
Rep. Paul Mitchell (R-MI)

CHEA met with members of the administration's transition team, new leadership staff, senior career staff at USDE and members of USDE's National Advisory Committee on Institutional Quality and Integrity (NACIQI) to address accreditation-related issues. The CHEA position paper on regulatory relief provided the foundation and focus for these engagements.

CHEA reached out to presidents and chancellors of colleges and universities to offer ideas and suggestions as they talked about accreditation with elected officials or Administration leadership. “[Ten Ways in Which Accreditation Serves Students, Society and the Public Interest](#)” focused on the basics of what accreditation does and how integral it is to the effectiveness of higher education, while “[Talking Points: The Future Face of Accreditation – Serving the Public Interest](#)” outlined the issues of greatest importance for accreditation: student achievement and success, access, affordability and innovation in colleges and universities.

A Voice to the Public on Accreditation

During 2016-2017, CHEA’s voice continued to be heard on the challenges and opportunities ahead for accreditation. CHEA President Judith Eaton spoke at conferences and special events, addressing accreditation and its contributions to assuring educational quality. Eaton authored commentaries and letters that appeared in publications including the [New York Times](#) and [The Hill](#). And media regularly cited CHEA on accreditation-related news, from national media outlets such as [CNN Money](#) and [U.S. News & World Report](#) to higher education publications including [Inside Higher Ed](#) and [The Chronicle of Higher Education](#) and international publications such as [Times Higher Education](#) and [University World News](#).



In observance of CHEA’s 20th year, CHEA launched a series of op-eds on a variety of issues associated with accreditation. The [CHEA Op-Ed Series](#) featured writings by college and university presidents, leaders of accrediting organizations, heads of higher education associations, student leaders and other experts, addressing a range of topics related to the future of accreditation. Other CHEA publications, including the [Federal Update](#) and [Accreditation in the News](#), kept members and other accreditation stakeholders informed on events and activities affecting accreditation.

The [CHEA Database of Institutions and Programs Accredited by Recognized U.S. Accrediting Organizations](#) provided vital information to hundreds of thousands of visitors in 2016-2017. And the CHEA Website continued to provide a wealth of new and archival information on accreditation. As a result, CHEA served as a resource for fact-based information on accreditation, its work and its value.

The Quality Platform

The CHEA [Quality Platform](#) was established in response to the growing importance of non-institutional higher education offered outside traditional colleges and universities, such as Massive Open Online Courses (MOOCs), competency-based education and private companies that provide courses intended for credit. The Quality Platform offers 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 the alternative provider sector.

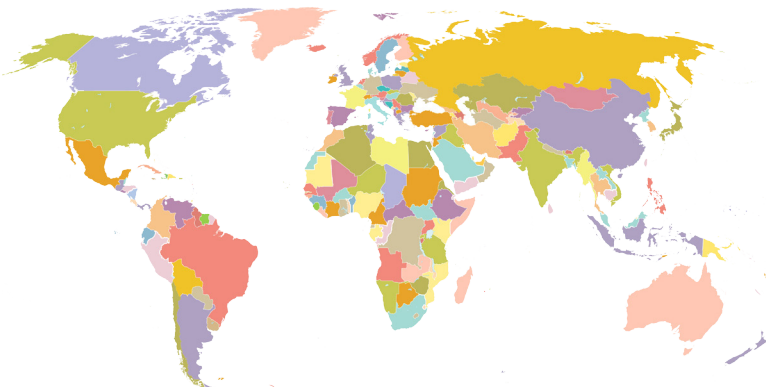
In August, 2016, USDE announced that the Quality Platform had been chosen to [serve as a Quality Assurance Entity](#) as part of USDE’s Educational Quality through Innovative Partnerships (EQUIP) program. EQUIP brings together accrediting organizations and higher education associations, innovative providers and accredited institutions to encourage cooperative efforts to address change and innovation. The Quality Platform will review student outcomes and other information to assure the quality of joint educational offerings by the Dallas County Community College District and StraighterLine, a U.S. company that offers low-cost, online higher education courses. This is additional validation of the importance of the Quality Platform.

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 CHEA International Quality Group (CIQG) in 2012. Institutions, organizations and individuals from more than 40 countries around the world have become CIQG members or participated in gatherings including the CIQG 2017 Annual Meeting, expert groups and CIQG Webinars.

In July 2016, CIQG and the International Institute for Educational Planning of the United Nations Educational, Scientific and Cultural Organization (IIEP-UNESCO) issued an advisory statement on combatting corruption in higher education internationally. Titled [Advisory Statement for Effective International Practice: Combatting Corruption and Enhancing Integrity](#), the publication is a call to action that highlights the problems posed by academic corruption in higher education and suggests ways that quality assurance bodies, government and higher education institutions around the world can combat

corruption. CHEA hosted a Webinar on this issue in December 2016 that attracted some 200 registrants from around the world.



CIQG publications including *Quality International* and *CIQG Policy Briefs* provided members information on international quality assurance issues. And the [CIQG Memorandum of Affiliation](#), based on the [International Quality Principles](#) developed by CIQG in 2015, has been signed by 57 institutions and organizations worldwide.

Translations of a number of CIQG publications were added to the [CIQG Website](#), with various publications available in Arabic, Chinese and French. The *International Quality Principles* have also been translated into Portuguese, Russian and Spanish.

As part of CIQG's work, CHEA's President participated in 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 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, 2017, CHEA recognized 59 regional, national faith-related, national career-related and programmatic accrediting organizations. The CHEA Committee on Recognition met four times in 2016-2017 and either made recommendations or took action on 41 accrediting organizations.

The Committee on Recognition is now reviewing the *CHEA Recognition Policy and Procedures* to assure that the policy and procedures adequately address calls for greater accountability, transparency and attention to student outcomes.

Published in the Spring of 2017, the [CHEA Almanac of External Quality Review](#) is the single most comprehensive source of information about institutional and programmatic accreditation of higher education in the United States. *The Almanac* includes an overview of U.S. accreditation and information on all regional, national and programmatic accrediting



organizations recognized by CHEA, the U.S. Department of Education or both, with a profile of the organization’s accrediting actions in 2014-2015. And the [CHEA Almanac Online](#), updated quarterly, made information on recent accreditation action by CHEA- and USDE-recognized accrediting organizations readily available and served as an outstanding source of statistical information on accreditation and its operations.

Looking Ahead

CHEA will continue to play an active role in discussions of accreditation policy, including how accreditation will be addressed in any Higher Education Act reauthorization legislation. However, 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 responses to any proposed legislation or regulatory activities affecting accreditation.

CHEA also will serve as a leader of the evolving conversation of quality review of nontraditional higher education providers, through the CHEA Quality Platform. 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. And CHEA’s publications, Website and social media including [Facebook](#), [Twitter](#) and [YouTube](#) will continue to provide the most comprehensive source available anywhere for information on accreditation.

Throughout 2017-2018, CHEA will continue to identify opportunities for accreditation to provide even greater value to students and society. CHEA also will address the challenges facing accreditation on behalf of its members – 3,000 accredited colleges and institutions across the country – as well as taking a leading role in the international conversation on quality assurance through CIQG. As in years past, CHEA will continue our strong, outspoken advocacy for accreditation and its importance to higher education.

We thank our members, as well as members of CIQG, for their support in 2016-2017. It is their financial support and active involvement that makes CHEA a strong and effective organization. Simply put, CHEA reflects our members’ deep commitment to accreditation and preserving its strength and value. We look forward to working with you in the year ahead.



A handwritten signature in black ink, appearing to read 'Judith Eaton', written in a cursive style.

Judith Eaton
President
Council for Higher
Education Accreditation



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Council for Higher Education Accreditation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.



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, 2017 and 2016, 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.


CERTIFIED PUBLIC ACCOUNTANTS

Bethesda, Maryland
September 25, 2017

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents:		
Undesignated	\$ 2,482,943	\$ 2,553,650
Designated	<u>311,213</u>	<u>371,745</u>
Total cash and cash equivalents	2,794,156	2,925,395
Accounts receivable	575	6,920
Prepaid expenses	37,798	43,726
Investments	3,410,362	3,102,305
Investment in AHMIC	7,626	-
Investments in nonqualified employee benefit plan	427,940	366,302
Property and equipment, net	232,998	217,189
Trademark and copyright costs, net	<u>-</u>	<u>297</u>
TOTAL ASSETS	\$ <u>6,911,455</u>	\$ <u>6,662,134</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 286,134	\$ 237,345
Deferred rent	19,017	38,035
Deferred revenues	1,700	33,375
Obligation under nonqualified employee benefit plan	<u>427,940</u>	<u>366,302</u>
Total liabilities	<u>734,791</u>	<u>675,057</u>
Commitments and contingencies (Notes 8, 9 and 10)		
Net assets:		
Unrestricted	4,469,868	4,219,502
Temporarily restricted	<u>1,706,796</u>	<u>1,767,575</u>
Total net assets	<u>6,176,664</u>	<u>5,987,077</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>6,911,455</u>	\$ <u>6,662,134</u>

See accompanying notes to financial statements.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Unrestricted net assets:						
Revenues and other support:						
Membership dues	\$ 1,338,406	\$ 1,680,102	\$ 3,018,508	\$ 1,243,824	\$ 1,751,375	\$ 2,995,199
Conference fees	313,900	-	313,900	191,521	-	191,521
Investment return	270,159	-	270,159	9,817	-	9,817
International dues	32,673	26,694	59,367	25,066	16,200	41,266
Recognition fees	4,000	-	4,000	12,000	-	12,000
Eligibility fees	-	-	-	2,000	-	2,000
Publications and other	10,926	-	10,926	73,319	-	73,319
Net assets released from time restrictions	<u>1,767,575</u>	<u>(1,767,575)</u>	<u>-</u>	<u>1,716,938</u>	<u>(1,716,938)</u>	<u>-</u>
Total revenues and other support	<u>3,737,639</u>	<u>(60,779)</u>	<u>3,676,860</u>	<u>3,274,485</u>	<u>50,637</u>	<u>3,325,122</u>
Expenses:						
Personnel	1,927,469	-	1,927,469	1,861,825	-	1,861,825
Conferences	385,922	-	385,922	261,220	-	261,220
Professional fees	289,273	-	289,273	187,520	-	187,520
International Quality Group	250,922	-	250,922	152,256	-	152,256
Occupancy costs	137,748	-	137,748	134,075	-	134,075
Office	104,995	-	104,995	100,988	-	100,988
Committees	49,742	-	49,742	59,107	-	59,107
Change Magazine	92,565	-	92,565	67,222	-	67,222
Printing and publication	52,771	-	52,771	60,254	-	60,254
Depreciation and amortization	45,588	-	45,588	33,117	-	33,117
Information systems	42,707	-	42,707	47,742	-	47,742
Recognition services	86,013	-	86,013	100,091	-	100,091
Travel	13,058	-	13,058	21,128	-	21,128
Sponsorship	7,427	-	7,427	8,891	-	8,891
Accreditation Advocacy Campaign	-	-	-	41,988	-	41,988
Website	1,073	-	1,073	1,101	-	1,101
Total expenses	<u>3,487,273</u>	<u>-</u>	<u>3,487,273</u>	<u>3,138,525</u>	<u>-</u>	<u>3,138,525</u>
Change in net assets	250,366	(60,779)	189,587	135,960	50,637	186,597
Net assets - beginning	<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>
NET ASSETS - ENDING	<u>\$ 4,469,868</u>	<u>\$ 1,706,796</u>	<u>\$ 6,176,664</u>	<u>\$ 4,219,502</u>	<u>\$ 1,767,575</u>	<u>\$ 5,987,077</u>

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 189,587	\$ 186,597
Adjuunents to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	45,588	33,117
Realized/unrealized (gains) losses	(189,993)	84,494
Changes in assets and liabilities:		
Accounts receivable	6,345	(1,170)
Prepaid expenses and other assets	5,928	(13,278)
Accounts payable and accrued expenses	56,972	(80,091)
Deferred rent	(19,018)	(19,017)
Deferred revenues	<u>(31,675)</u>	<u>33,375</u>
Net cash provided by operating activities	<u>63,734</u>	<u>224,027</u>
Cash flows from investing activities:		
Proceeds from sale of investments	542,449	119,991
Purchases of investments	(668,139)	(244,056)
Purchases of property and equipment	<u>(69,283)</u>	<u>(62,010)</u>
Net cash used in investing activities	<u>(194,973)</u>	<u>(186,075)</u>
Net change in cash and cash equivalents	(131,239)	37,952
Cash and cash equivalents - beginning	<u>2,925,395</u>	<u>2,887,443</u>
CASH AND CASH EQUIVALENTS - ENDING	\$ <u>2,794,156</u>	\$ <u>2,925,395</u>

See accompanying notes to financial statements.

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

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”).

Financial statement 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

In accordance with the criteria established in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, Not-For-Profit Entities, the Council accounts for membership dues as contributions in lieu of revenue earned from exchange transactions. As such, membership revenue and gains are reported as increases in unrestricted net assets unless the membership dues are designated for a subsequent year or the use of the related assets is limited by other 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 donorstipulated 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 financial statements, and the reported amounts of revenues and expenses during the reporting periods.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Recent accounting pronouncements

In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Presentation of financial statements for Not-for-Profit Entities* (Topic 958). The amendments in this ASU are effective for the year ending December 31, 2019. The new guidance reduces the number of net asset classes from three to two and increases disclosures about liquidity risks, among other changes. The effect of adopting this new guidance on the Council’s financial statements and related disclosures has not yet been determined.

In February 2016, FASB issued ASU No. 2016-02, *Leases*. This update requires all leases with a term greater than 12 months to be recognized on the balance sheet through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing agreements. This new guidance is effective for years beginning after December 15, 2019, with early adoption permitted. The effect of adopting this new guidance on the Council’s financial statements and related disclosures has not yet been determined.

Fair value measurements

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 accounts included with brokerage accounts are classified as investments.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Accounts receivable

Accounts receivable are stated at the amount the Council expects to collect from outstanding balances. As of June 30, 2017 and 2016, management has deemed all accounts receivable to be fully collectible.

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, 2017 and 2016.

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 2013. Management of the Council believes it has no material uncertain tax positions, and, accordingly, it will not recognize any unrecognized tax liabilities.

Subsequent events

In accordance with FASB ASC 855, Subsequent Events, management has evaluated subsequent events through September 25, 2017, 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

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

Property and equipment consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 103,660	\$ 103,660
Computer equipment and software	252,206	191,106
Leasehold improvements	236,194	236,194
Total cost	<u>592,060</u>	<u>530,960</u>
Less: accumulated depreciation and amortization	<u>359,062</u>	<u>313,771</u>
Property and equipment, net	<u>\$ 232,998</u>	<u>\$ 217,189</u>

NOTE 4. INVESTMENTS

In January 2013, the Board of Directors' approved a revised Reserve and Investment Policy. The Reserve was made up of a Cash Reserve Fund, a Fixed Income Reserve Fund and a Diversified Portfolio Fund. In May 2017, the Board approved revisions to the Policy including consolidating the Cash Fund and Fixed Income Fund with the Diversified Portfolio Fund, changing the name of the policy to the CHEA Reserve Fund Investment Policy and making changes to the Investment Guidelines.

The Reserve Fund is invested in a manner that complies with all federal and District of Columbia requirements applicable to the Council as currently constituted, specifically including, but not limited to, any laws or regulations pertaining to the maintenance of the Council's federal tax exemption under Section 501 (c)(3) of the Code as an organization described in Section 509(a) (2) of the Code.

Prior to implementing the revised investment policy, the Council followed an investment policy whereby its reserve funds were divided into three separate pools to manage its investment risk and to optimize investment returns.

The Council's investments are managed at risk levels equivalent to the sectors of the market represented. Control of the investment reserves is 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.

NOTE 4. INVESTMENTS (CONTINUED)

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

A summary of investments held as of June 30, 2017 and 2016, is as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 39,221	\$ 39,221	\$ 37,582	\$ 37,582
Open-end mutual funds:				
Large Value	823,000	930,200	699,563	735,643
World Bond	479,177	468,876	487,557	446,658
MultiSector Bond	454,331	444,976	454,331	448,415
World Stock	372,703	418,887	359,507	345,483
Intermediate Term Bonds	229,223	227,739	327,391	324,148
Large Blend	228,050	226,142	-	-
World Allocation	187,941	206,119	178,852	185,391
Multialternative	172,000	171,881	-	-
Short-Term Bonds	106,916	104,348	-	-
High-Yield Bond Funds	103,862	97,761	103,862	91,185
Tactical Allocation	44,686	39,747	218,234	202,589
Mid-Cap Blend/Growth	31,068	34,465	89,644	84,859
Money Market Fund	-	-	200,352	200,352
Subtotal	<u>3,232,957</u>	<u>3,371,141</u>	<u>3,119,293</u>	<u>3,064,723</u>
Total	<u>\$ 3,272,178</u>	<u>\$ 3,410,362</u>	<u>\$ 3,156,875</u>	<u>\$ 3,102,305</u>

Investment return consisted of the following for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 106,260	\$ 118,802
Gains (losses) on investments	189,993	(84,494)
Investment fees	(26,094)	(24,491)
Total	<u>\$ 270,159</u>	<u>\$ 9,817</u>

NOTE 5. UNRESTRICTED NET ASSETS - UNDESIGNATED AND DESIGNATED

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

Undesignated and designated unrestricted net assets consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Undesignated	\$ 748,292	\$ 745,452
Board designated:		
Media relations	6,999	-
Recognition policy revision	15,300	-
Framework for change	73,000	-
Fixed asset fund	33,449	94,549
Board-designated reserve fund	2,681,943	2,442,216
Membership development	90,115	90,115
Directors book fund	728,420	660,091
Change Magazine	92,350	127,138
Accreditation Advocacy Campaign	-	17,441
Member survey	-	42,500
Total board designated	<u>3,721,576</u>	<u>3,474,050</u>
Total unrestricted net assets	<u>\$ 4,469,868</u>	<u>\$ 4,219,502</u>

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 1,767,575	\$ 1,716,938
Activity:		
Dues payments for future operations	1,706,796	1,767,575
Expiration of time - future operations	<u>(1,767,575)</u>	<u>(1,716,938)</u>
Ending balance	<u>\$ 1,706,796</u>	<u>\$ 1,767,575</u>

NOTE 7. FUNCTIONAL EXPENSES

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Program services:		
Membership services	\$ 1,091,515	\$ 885,371
Government relations	638,654	647,257
Change Magazine	92,565	77,987
Recognition policy	549,990	557,642
CIQG	562,689	417,565
Total program services	<u>2,935,413</u>	<u>2,585,822</u>
Supporting services:		
Management and general	<u>551,860</u>	<u>552,703</u>
Total expenses	<u>\$ 3,487,273</u>	<u>\$ 3,138,525</u>

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 coverage of \$250,000 amounted to \$1,534,238 and \$1,766,721 at June 30, 2017 and 2016, 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 \$427,940 and \$366,302 as of June 30, 2017 and 2016, respectively, appear in the statements of financial position.

For the years ended June 30, 2017 and 2016, the Council contributed \$179,113 and \$167,350 respectively, on behalf of its employees to these plans.

NOTE 10. OPERATING LEASE

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION
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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

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, 2017, are as follows:

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

Occupancy costs consisted of the following for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Occupancy	\$ 129,733	\$ 129,008
Parking	2,554	2,704
Repairs and maintenance	4,019	1,651
Storage	<u>1,442</u>	<u>712</u>
Total	<u>\$ 137,748</u>	<u>\$ 134,075</u>

NOTE 11. EMPLOYMENT AGREEMENT

The Council has an employment agreement with its president. Following termination of employment as President, employment shall continue as President Emeritus for a period of 12 months.

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).

NOTE 12. FAIR VALUE MEASUREMENTS (CONTINUED)

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION
(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

The following table summarizes the Council's fair value measurements on a recurring basis using the valuation hierarchy as of June 30, 2017 and 2016:

Description	Level 1	Level 2	Level 3	Total at June 30, 2017	Valuation Technique
Investments:					
Cash	\$ 39,221	\$ -	\$ -	\$ 39,221	(a)
Open-end mutual funds	3,371,141	-	-	3,371,141	(a)
Total investments	3,410,362	-	-	3,410,362	
Investment in nonqualified employee benefit plan:					
Retirement annuities	355,546	-	72,394	427,940	(a)(c)
Total	\$ 3,765,908	\$ -	\$ 72,394	\$ 3,838,302	
Liabilities:					
Obligation under nonqualified employee benefit plan	\$ 355,546	\$ -	\$ 72,394	\$ 427,940	

Description	Level 1	Level 2	Level 3	Total at June 30, 2016	Valuation Technique
Investments:					
Cash	\$ 37,582	\$ -	\$ -	\$ 37,582	(a)
Open-end mutual funds	3,064,723	-	-	3,064,723	(a)
Total investments	\$ 3,102,305	\$ -	\$ -	\$ 3,102,305	
Investment in nonqualified employee benefit plan:					
Retirement annuities	\$ 300,726	\$ -	\$ 65,576	\$ 366,302	(a)(c)
Liabilities:					
Obligation under nonqualified employee benefit plan	\$ 300,726	\$ -	\$ 65,576	\$ 366,302	

During the year ended June 30, 2017, 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, 2017 and 2016:

	2017	2016
Balance - beginning of year	\$ 65,576	\$ 59,028
Total realized and unrealized gains	2,318	2,048
Purchases, issuances and settlements	4,500	4,500
Balance - end of year	\$ 72,394	\$ 65,576

NOTE 12. FAIR VALUE MEASUREMENTS (CONTINUED)

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION
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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

Level 3 gains and losses (continued)

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.

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 2016-2017

- [Accreditation in the News](#) (40 issues published in 2016-2017)
- **CHEA/CIQG and UNESCO/IIEP Advisory Statement for Effective International Practice: Combatting Corruption and Enhancing Integrity** ([English](#) and [French](#) translation) (July 2016)
- [Arabic](#), [Chinese](#), [French](#) and [Spanish](#) translations of **CIQG International Quality Principles** (August 2016)
- Newly updated [Ten Ways in Which Accreditation Serves Students, Society and the Public Interest](#) and [Talking Points: The Future Face of Accreditation – Servicing the Public Interest](#) (August 2016)
- [Federal Updates](#) (Five issues published in 2016 and 2017)
- [Quality International Volume 9](#): Articles on the *Advisory Statement for Effective International Practice*, the expanded CIQG Memorandum of Affiliation and more (September 2016)
- [Policy Brief #8](#): A Framework for Outcomes-Based, Differentiated Accreditation (October 2016)
- [International QA in the News](#) (21 issues published in 2016-2017)
- [Quality International Volume 10](#): An interview with the President of INQAAHE, an article on the Global Summit on Quality Higher Education and more (February 2017)
- [2015 CHEA Almanac of External Quality Review](#) (March 2017)
- [Portuguese](#) and [Russian](#) translations of **CIQG International Quality Principles** (March 2017)
- [Policy Brief #9](#): Disruption in the U.S. Accreditation Space (March 2017)
- [CHEA Op-Ed Series](#) Launched; Eight published in 2016-2017 (March 2017)

2016–2017 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

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2016–2017 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

Director, Commission on Accrediting of the Association of Theological Schools

Barbara Brittingham

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

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Chancellor Emeritus, Southern Illinois University Edwardsville



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, Battle Professor, Decker School of Nursing, State University of New York at Binghamton; and Barbara Brittingham, President and Director, Commission on Institutions of Higher Education, New England Association of Schools and Colleges.

CHEA-Recognized Accrediting Organizations

(As of June 30, 2017)

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

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
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

CHEA-Recognized Accrediting Organizations (As of June 30, 2017)

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 Accreditation Council for Business Education
International Fire Service 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
National Accrediting Agency for Clinical Laboratory Sciences
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 Accrediting System



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 approximately 60 institutional and programmatic accrediting organizations.

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