

2018-2019  
**ANNUAL  
REPORT**



## **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

2018-2019

# ANNUAL REPORT

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# LETTER FROM THE PRESIDENT

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Dear Colleagues:

Thank you for supporting the Council for Higher Education Accreditation (CHEA) through your membership, your involvement in CHEA activities and your use of CHEA as an outstanding source of accreditation information.

2018-2019 was a year of both activity and accomplishment for CHEA. Our outspoken advocacy for higher education accreditation and quality assurance as well as our work as “Accreditation Central” underscored the value of CHEA for members and accreditation stakeholders.

Let me give you some examples.

## GOVERNMENT AFFAIRS

CHEA’s position paper on accreditation and regulation, *Appropriate Accountability for Accreditation and Federal Policy*, has been widely circulated to Capitol Hill and the U.S. Department of Education (USDE). CHEA’s position calls for a balance of 1) leadership for accountability from the accreditation community itself, 2) advocacy for the longstanding strengths of accreditation (peer



CHEA President Judith Eaton and Congressman Lloyd Smucker (R-PA), Ranking Member of the House Subcommittee on Higher Education and Workforce Investment, at the 2019 CHEA Summer Roundtable in Washington, DC.

review, commitment to mission, formative evaluation) and 3) addressing federal expectations regarding the role of accreditation in institutional and program eligibility for federal and, at times, state funds.

The 2019 USDE negotiated rulemaking and a resulting rule revising accreditation regulations reflect a number of the changes sought by

CHEA in the position paper. The document was cited in a USDE document on accreditation and in the preamble to the Notice of Proposed Rulemaking for new accreditation regulations.

CHEA’s Summer Roundtable, revised in 2018 to focus exclusively on federal policy, has strengthened CHEA’s advocacy for accreditation by building additional relationships with key Congressional and USDE staff. The Roundtable is emerging as a desired destination for institutions and accreditors that seek to be current about federal policy and accreditation and to have the opportunity to engage key federal officials face-to-face. A draft *Accreditation Handbook* was distributed by USDE at the Summer Roundtable; this was especially valuable to many of the accreditation leaders in attendance.

Throughout 2018-2019, CHEA met with members of Congress, key education committee staff and USDE leadership to address legislation and regulations with an impact on accreditation, including legislation in the House of Representatives to reauthorize the Higher Education Act (introduced in the Fall of 2019) and its accreditation provisions. CHEA met with staff from the Senate and House education committees and USDE senior staff tasked with overseeing accreditation.

## THOUGHT-LEADERSHIP

CHEA introduced its National Quality Dialogue, broadening CHEA’s focus with expanded attention to quality and quality assurance issues in higher education, including and beyond accreditation. This new initiative explores and addresses how we can provide additional emphasis on vital quality issues for colleges and universities, tailor tools that higher education leaders can use when addressing quality and strategic means to reaffirm the leadership role of higher education in framing future expectations of quality.

The Dialogue includes an interview series, a number of regional and sector-based meetings and various publications. Since the Dialogue’s

launch in July 2019, an invitational meeting of presidents, chancellors, think tank leaders and other academics has been held and an exploratory paper has been published.

The 2019 CHEA Annual Conference drew more than 300 participants from member institutions, accrediting organizations, higher education associations, government and media, as well as key speakers from Congress, USDE and higher education and accreditation leaders.

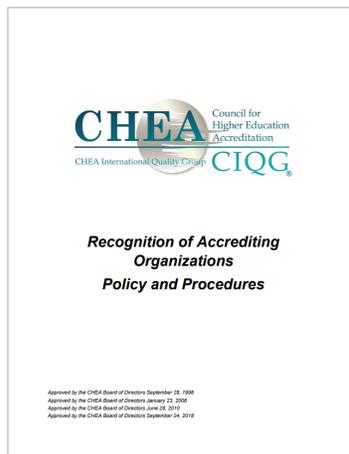


Frederick Lawrence, Secretary and CEO of the Phi Beta Kappa Society, addressed free speech on campus at the 2019 CHEA Annual Conference.

The conference, titled “Accreditation: Enduring Values, Emerging Expectations,” focused on the significant challenges facing accreditation and the importance of sustaining accreditation’s historic values and the value of its work.

## CHEA RECOGNITION

CHEA published major revisions of its *Recognition Policy and Procedures* in January, 2019. Significant changes include the policy streamlining of the procedures to become recognized by CHEA, an additional emphasis on accountability as fashioned by an accrediting organization and its member institutions or programs and calls for additional attention to innovation in and through accreditation.



CHEA’s Committee on Recognition met four times during 2018-2019 and either made recommendations or

took action affecting 34 CHEA-recognized accrediting organizations. Most of the actions or recommendations involved review of interim, progress or follow-up reports that the committee had requested of the accreditors. One accrediting organization was awarded CHEA recognition.

## INTERNATIONAL ACTIVITY

Over 100 institutions, quality assurance bodies, associations and individuals from 34 countries joined the CHEA International Quality Group (CIQG) in 2018-2019. The 2019 CIQG Annual Meeting, titled “Quality Assurance and Sustaining Trust in Higher Education,” attracted participants from 32 countries around the world to address how quality assurance needs to adapt to significant societal and political upheavals around the world. Speakers included leaders from quality assurance, higher education institutions and experts on international quality assurance issues.

The CHEA/CIQG *International Directory*, a repository of information about quality assurance and accrediting bodies in 175 countries, was revised and updated. The *Directory* has been a popular feature on CHEA’s Website. And the *CHEA Database of Institutions and Programs Accredited by Recognized U.S. Accrediting Organizations* continues to provide information to more than 750,000 visitors each year seeking information on the accredited status of institutions and programs accredited by U.S. accreditors.

CHEA initiated its *CIQG Quality Award* in 2018-2019 to recognize higher education providers worldwide who provide evidence of outstanding performance in meeting the CHEA/CIQG *International Quality Principles* established in 2015. The *CIQG Quality Award* was presented at the CIQG Annual Meeting to Conestoga College Institute of Technology in Kitchener, Ontario, Canada and Advanced Learning and Western Governors University, based in Salt Lake City, Utah.

CHEA representatives spoke or participated at conferences, seminars and other events addressing accreditation and quality assurance in Asia, Europe and North America. CHEA President Judith Eaton gave keynote addresses

at conferences in Turkey, Croatia and Russia and participated in quality assurance-focused meetings in China and Ireland, among other events. These and other important meetings were covered in *Quality International*, the CIQG newsletter, along with interviews, book reviews and other quality-assurance related items.

## ACCREDITATION AND QUALITY ASSURANCE INFORMATION

CHEA published important reports on innovation, academic corruption and digitization of credentials in 2018-2019, along with CHEA periodic publications including the *Federal Update*, *Accreditation in the News*, *International Quality Assurance in the News* and *Quality International*, the CIQG newsletter, *Op-Eds* and *CIQG Policy Briefs*.



Research papers published by CHEA in 2018-2019 included *Innovation in Accreditation and Higher Education: Accrediting Organizations Describe Their Engagement* and *Digitization of Credentials: Quality of Shorter-Term Educational Experiences*, all products of the CHEA National Quality Dialogue.

CHEA has significantly expanded its social media presence, with regular postings on Facebook, Twitter and LinkedIn, broadly sharing information about accreditation and CHEA activities, including news coverage of accreditation-related issues, links to new CHEA publications and updates on CHEA meetings and conferences.

## LOOKING AHEAD

The year ahead promises to be a busy one for accreditation and for CHEA. Legislation to reauthorize the Higher Education Act, introduced in the House of Representatives, will be considered and reauthorization legislation may to be introduced in the Senate. Revised

federal regulations for accreditation will become effective. And calls for greater accountability and transparency for accreditation—coming from Capitol Hill, the states and media—are likely to continue. The need for outspoken advocacy for accreditation and its value will be greater than ever.

CHEA will continue its ongoing advocacy for accreditation and its work with key individuals in Congress and at the Administration. We will speak out to government, media and the public on why accreditation is important and why protecting academic leadership, institutional autonomy and formative evaluation in accreditation is vital. And we will keep members and accreditation stakeholders informed on the events and activities affecting accreditation.

The CHEA National Quality Dialogue will also continue its work hosting roundtables, producing podcasts and publishing research addressing this vital topic for institutions and for accreditation. And – through publications, social media and meetings – CHEA will keep member institutions, accreditation stakeholders and the public informed on the latest accreditation-related news.

We are grateful for the support that CHEA's work receives from our member institutions, as well as for the strong level of attendance at our meetings. 2018-2019 was a good and productive year for CHEA. We will be even busier in 2019-2020 on the important work of advocacy, information-gathering and sharing and serving as a convener of accreditation stakeholders across the country and around the world.

Thank you for your participation and we look forward to working with you in the year ahead.

Sincerely,



A handwritten signature in black ink, which appears to be "Judith Eaton".

Judith Eaton  
President

# 2018-2019 BOARD OF DIRECTORS

## (As of June 30, 2019)

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

### EXECUTIVE COMMITTEE



**David Maxwell**  
*Chair,*  
President *Emeritus*,  
Drake University



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



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



**Timothy J.L. Chandler**  
*Treasurer,* Provost and Vice  
President for Academic Affairs,  
Towson University



**Nancy Marlin**  
*Member-at-Large,* Professor and  
Provost *Emerita*, San Diego State  
University



**James L. Gaudino**  
*Immediate Past Chair,*  
President, Central  
Washington University

### BOARD OF DIRECTORS



**William A. "Bud" Baeslack, III**  
Provost,  
Case Western Reserve University



**Richard L. Pattenaude**  
President *Emeritus* and  
Professor,  
Ashford University



**Robert Clark**  
President and CEO,  
Husson University



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President,  
Massasoit Community College



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



**Lester Newman**  
President,  
Jarvis Christian College



**Orlando L. Taylor**  
Vice President for Strategic  
Initiatives and Research,  
Fielding Graduate Institute



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



**Jean Wyld**  
Professor *Emeritus*,  
Retired Provost and Vice  
President for Academic Affairs,  
Springfield College

# COMMITTEE ON RECOGNITION

## (As of June 30, 2019)

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The CHEA Committee on Recognition is responsible for considering the eligibility 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, programmatic, national and professional accrediting organizations and members from colleges and universities.



**Mary Ann P. Swain**

Chair,  
Battle Professor,  
State University of New York at  
Binghamton



**Lucas B. Kavlie**

Vice President,  
Compliance & Accreditation  
Western Governors University



**Daniel Aleshire\***

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



**E. Clorisa Phillips\***

Education Consultant



**Pauletta Brown Bracy**

Director,  
Office of University Accreditation  
North Carolina Central University



**Tanmay Pramanik**

Vice President of Institutional  
Compliance,  
Transnational Association of  
Christian Colleges and Schools



**Barbara Brittingham\***

President of the Commission,  
New England Commission on  
Higher Education



**David Werner**

Chancellor *Emeritus*,  
Southern Illinois University  
Edwardsville



**Teri Cannon**

Chief Accreditation Officer,  
Chief Student Affairs and Operations  
Officer, Keck Graduate Institute and  
Minerva Schools at KGI



**Emily Williams**

Vice President of Academic Affairs,  
Massachusetts College of Liberal  
Arts



**Stephanie Droker**

Senior Vice President,  
Accrediting Commission for  
Community and Junior Colleges



**Mary Jane Harris\***

Higher Education Consultant



**Neil Harvison**

Chief Professional Affairs Officer,  
American Occupational Therapy  
Association



**David K. Holger\***

Chair,  
IEA Governing Group and Provost  
*Emeritus*, Iowa State University

(\*Served through December 30, 2018)

# CHEA-RECOGNIZED ACCREDITING ORGANIZATIONS (As of June 30, 2019)

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## 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 Commission of Higher Education
- Northwest Commission of Colleges and Universities
- Southern Association of Colleges and Schools Commission on Colleges
- WASC Senior College and University Commission

## PROGRAMMATIC

- 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
- 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 Accreditation of Medical Physics Education Programs, Inc.
- Commission on Opticianry Accreditation
- Commission on Sport Management 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 Accreditation of Parks, Recreation, Tourism and Related Professions
- Council on Chiropractic Education
- 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
- Network of Schools of Public Policy, Affairs, and Administration Commission on Peer Review and Accreditation
- Planning Accreditation Board
- Psychological Clinical Science Accrediting System



The CHEA 2019 Annual Conference, with the CIQG Annual Meeting, drew more than 300 participants from the United States and countries around the world to hear speakers addressing a range of issues related to accreditation and quality assurance.



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Council for Higher Education Accreditation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses 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.

**CITRIN COOPERMAN & COMPANY, LLP**

2 BETHESDA METRO CENTER, 11TH FLOOR BETHESDA, MD 20814 | TEL 301.654.9000 | FAX 301.656.3056 [CITRINCOOPERMAN.COM](http://CITRINCOOPERMAN.COM)

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**CITRIN COOPERMAN**<sup>®</sup>  
Accountants and Advisors

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council for Higher Education Accreditation as of June 30, 2019 and 2018, 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.

*Citrin Cooperman & Company, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

Bethesda, Maryland  
September 25, 2019

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION**  
**(A Nonprofit Organization)**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 2,022,777	\$ 2,658,459
Accounts receivable	250	1,360
Prepaid expenses	49,616	26,193
Investments	3,842,392	3,593,017
Investment in AMHIC, A Reciprocal Association	5,119	3,535
Investments in nonqualified employee benefit plan	546,998	498,153
Property and equipment, net	<u>417,855</u>	<u>291,833</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,885,007</u></b>	<b><u>\$ 7,072,550</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 180,509	\$ 223,719
Deferred rent	73,013	-
Deferred revenues	-	1,700
Obligations under nonqualified employee benefit plan	<u>546,998</u>	<u>498,153</u>
Total liabilities	<u>800,520</u>	<u>723,572</u>
Net assets:		
Without donor restrictions	18,077	440,261
Without donor restrictions - Board-designated	<u>4,360,459</u>	<u>4,114,873</u>
	4,378,536	4,555,134
With donor restrictions - time restricted for future periods	<u>1,705,951</u>	<u>1,793,844</u>
Total net assets	<u>6,084,487</u>	<u>6,348,978</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,885,007</u></b>	<b><u>\$ 7,072,550</u></b>

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION**  
**(A Nonprofit Organization)**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:						
Membership dues	\$ 1,397,967	\$ 1,686,951	\$ 3,084,918	\$ 1,270,073	\$ 1,772,079	\$ 3,042,152
Conference fees	222,990	-	222,990	221,365	-	221,365
Investment return, net	257,094	-	257,094	187,985	-	187,985
International dues	6,312	19,000	25,312	21,662	21,765	43,427
Recognition fees	10,000	-	10,000	4,000	-	4,000
Other	3,585	-	3,585	(3,641)	-	(3,641)
Net assets released from time restrictions	<u>1,793,844</u>	<u>(1,793,844)</u>	<u>-</u>	<u>1,706,796</u>	<u>(1,706,796)</u>	<u>-</u>
Total revenues and other support	<u>3,691,792</u>	<u>(87,893)</u>	<u>3,603,899</u>	<u>3,408,240</u>	<u>87,048</u>	<u>3,495,288</u>
Expenses:						
Program services expense:						
Membership services	1,237,109	-	1,237,109	947,962	-	947,962
Research and policy	137,388	-	137,388	-	-	-
Government relations	732,848	-	732,848	682,308	-	682,308
Recognition policy	638,248	-	638,248	558,928	-	558,928
The Council's International Quality Group	477,480	-	477,480	528,881	-	528,881
Change Magazine	114,486	-	114,486	106,059	-	106,059
Total program expenses	3,337,559	-	3,337,559	2,824,138	-	2,824,138
General and administrative	530,831	-	530,831	498,836	-	498,836
Total expenses	<u>3,868,390</u>	<u>-</u>	<u>3,868,390</u>	<u>3,322,974</u>	<u>-</u>	<u>3,322,974</u>
Change in net assets	(176,598)	(87,893)	(264,491)	85,266	87,048	172,314
Net assets - beginning	<u>4,555,134</u>	<u>1,793,844</u>	<u>6,348,978</u>	<u>4,469,868</u>	<u>1,706,796</u>	<u>6,176,664</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 4,378,536</u></u>	<u><u>\$ 1,705,951</u></u>	<u><u>\$ 6,084,487</u></u>	<u><u>\$ 4,555,134</u></u>	<u><u>\$ 1,793,844</u></u>	<u><u>\$ 6,348,978</u></u>

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION**  
**(A Nonprofit Organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services								
	Membership Services	Research and Policy	Government Relations	Recognition Policy	Council's International Quality Group	Change Magazine	Total Program Expenses	General and Administrative	Total Expenses
Personnel	\$ 528,383	\$ 136,388	\$ 501,198	\$ 393,094	\$ 243,477	\$ -	\$ 1,802,540	\$ 257,818	\$ 2,040,358
Conference	311,450	-	-	-	-	-	311,450	-	311,450
Professional fees	245,063	-	88,253	80,418	150,213	88,157	652,104	41,869	693,973
Office	35,773	1,000	32,020	25,104	15,795	-	109,692	15,191	124,883
Occupancy costs	59,553	-	56,963	44,659	27,650	-	188,825	27,024	215,849
Information systems	15,399	-	14,730	11,548	7,150	-	48,827	6,988	55,815
Depreciation and amortization	13,274	-	12,696	9,954	6,163	-	42,087	6,024	48,111
Committees	-	-	-	-	-	-	-	61,766	61,766
Printing and publication	9,578	-	9,162	7,183	4,447	-	30,370	4,346	34,716
Travel	6,871	-	6,572	47,141	8,289	23,298	92,171	3,118	95,289
Sponsorship	1,469	-	1,406	1,102	682	-	4,659	667	5,326
Website	10,296	-	9,848	7,721	4,837	-	32,702	4,672	37,374
Meals and reception	-	-	-	5,579	277	2,132	7,988	-	7,988
Supplies	-	-	-	4,745	8,500	899	14,144	-	14,144
Loss on disposal of property and equipment	-	-	-	-	-	-	-	121,348	121,348
<b>TOTAL EXPENSES BY FUNCTION</b>	<b>\$ 1,237,109</b>	<b>\$ 137,388</b>	<b>\$ 732,848</b>	<b>\$ 638,248</b>	<b>\$ 477,480</b>	<b>\$ 114,486</b>	<b>\$ 3,337,559</b>	<b>\$ 530,831</b>	<b>\$ 3,868,390</b>

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION**  
**(A Nonprofit Organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Program services							Total Program Expenses	General and Administrative Expenses	Total Expenses
	Membership Services	Research and Policy	Government Relations	Recognition Policy	Council's International Quality Group	Change Magazine	Total Program Expenses			
Personnel	\$ 483,734	\$ -	\$ 511,048	\$ 370,760	\$ 332,340	\$ -	\$ 1,697,882	\$ 261,802	\$ 1,959,684	
Conference	302,090	-	-	-	-	-	302,090	-	302,090	
Professional fees	46,409	-	49,020	55,453	123,439	82,762	357,083	116,547	473,630	
Office	36,797	-	38,867	28,190	18,037	-	121,891	19,909	141,800	
Occupancy costs	35,438	-	37,432	27,149	17,371	-	117,390	19,174	136,564	
Information systems	15,413	-	16,280	11,808	7,555	-	51,056	8,339	59,395	
Depreciation and amortization	15,163	-	16,016	11,616	7,433	-	50,228	8,204	58,432	
Committees	-	-	-	-	-	-	-	57,872	57,872	
Printing and publication	5,556	-	5,869	4,257	2,724	-	18,406	3,006	21,412	
Travel	5,383	-	5,686	44,847	8,426	23,080	87,422	2,912	90,334	
Sponsorship	1,431	-	1,511	1,096	701	-	4,739	774	5,513	
Website	548	-	579	420	5,897	-	7,444	297	7,741	
Meals and reception	-	-	-	3,332	3,458	-	6,790	-	6,790	
Supplies	-	-	-	-	1,500	217	1,717	-	1,717	
<b>TOTAL EXPENSES BY FUNCTION</b>	<b>\$ 947,962</b>	<b>\$ -</b>	<b>\$ 682,308</b>	<b>\$ 558,928</b>	<b>\$ 528,881</b>	<b>\$ 106,059</b>	<b>\$ 2,824,138</b>	<b>\$ 498,836</b>	<b>\$ 3,322,974</b>	

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION**  
**(A Nonprofit Organization)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Reconciliation of change in net assets to net cash from operating activities:		
Change in net assets	\$ (264,491)	\$ 172,314
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	48,111	58,432
Realized/unrealized gains	(178,998)	(68,992)
Loss on disposal of property and equipment	121,348	-
Changes in assets and liabilities:		
Accounts receivable	1,110	(785)
Prepaid expenses	(23,423)	11,605
Accounts payable and accrued expenses	(43,210)	(62,415)
Deferred rent	73,013	(19,017)
Deferred revenues	<u>(1,700)</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u>(268,240)</u>	<u>91,142</u>
Cash flows from investing activities:		
Proceeds from sale of investments	291,970	784,016
Purchases of investments	(362,347)	(897,679)
Investment (contribution to) return from AMHIC, A Reciprocal Association	(1,584)	4,091
Purchases of property and equipment	<u>(295,481)</u>	<u>(117,267)</u>
Net cash used in investing activities	<u>(367,442)</u>	<u>(226,839)</u>
Net decrease in cash and cash equivalents	(635,682)	(135,697)
Cash and cash equivalents - beginning	<u>2,658,459</u>	<u>2,794,156</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 2,022,777</u>	<u>\$ 2,658,459</u>
Supplemental disclosures of non-cash investing and financing activities:		
Write-off of property and equipment	<u>\$ 151,828</u>	<u>\$ 236,195</u>
Write-off of accumulated depreciation associated with write-off of property and equipment	<u>\$ (30,480)</u>	<u>\$ (236,195)</u>

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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. The Council fulfills its mission by focusing its efforts in six service areas.

*Membership services*

Membership services serves as a primary national forum for accreditation and quality review through the sponsorship of meetings and conferences involving the academic and accreditation communities, policy makers, and international community. Membership services also provides services to member organizations through conducting research and policy analysis, maintenance of the Council's comprehensive database and engaging university presidents in the policy and process of accreditation.

*Government relations*

Government relations sustains and maintains a strategic and effective government relationship.

*Recognition policy*

Recognition policy affirms that the standards and processes of the accrediting organization are consistent with the academic quality, improvement and accountability expectations that the Council has established.

*The Council's International Quality Group*

The Council's International Quality Group ("CIQG") advances international quality assurance and improvement, assisting institutions as well as accreditation and quality assurance organizations in furthering capacity for academic quality as they expand international engagements.

*Change Magazine*

The Council serves as the editorial home of the *Change Magazine*. The magazine deals with contemporary issues in higher education intended to stimulate and inform faculty, academic administrators, policy leaders and others on key issues and challenges for colleges and universities.

*Research and policy*

The Council's research and policy analysis function identifies and addresses topics related to accreditation and quality assurance practice and policy, nationally and internationally.

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**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 ("U.S. GAAP"), which require the Council to report information regarding its financial position and activities according to the following net assets classifications:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an emergency reserve, board-designated reserve, and a directors book fund.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 is reported as an increase in net assets without donor restrictions unless the membership dues are designated for a subsequent year. Expenses and losses are reported as decreases in net assets without donor restrictions. 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 are reflected as deferred revenues.

Use of estimates

The preparation of the Council's financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates, and those differences could be material.

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.

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and cash equivalents (continued)

The Council has established a cash money market account which includes \$500,000 of funds the Council's Board of Directors (the "Board") has designated as an emergency reserve (see Note 7), and additional funds for use in supporting the Council's projects and future goals. During the year ended June 30, 2019, the Council expended funds from the cash money market account for the renovation and expansion of the Council's offices, initiation of the research and policy analysis function, and support for the editorial office of *Change Magazine*. These expenditures were either authorized by the the Board or within the expenditure authority the Board has established for the Council's staff. No expenditures were made from the emergency reserve during the years ended June 30, 2019 or 2018. At June 30, 2019 and 2018, the balance in the cash money market account was \$581,645 and \$973,466, respectively.

Accounts receivable

Accounts receivable are stated at the amount the Council expects to collect from outstanding balances. As of June 30, 2019 and 2018, management has deemed all accounts receivable to be fully collectible.

Investments

The Council carries investments at their fair values in the accompanying statements of financial position. Fair value is determined, when available, from quoted prices on major markets, such as the New York Stock Exchange. Investment return, which consists of realized and unrealized gains and losses, interest income and dividends, net of fees, are reported as an increase in net assets without donor restrictions unless the related assets are limited by other donor-imposed restrictions.

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

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel	Time and effort
Professional fees	Time and effort
Office	Time and effort
Occupancy costs	Time and effort
Information systems	Time and effort
Depreciation and amortization	Time and effort
Printing and publication	Time and effort
Travel	Time and effort
Sponsorship	Time and effort
Website	Time and effort

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 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, 2019 and 2018.

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. federal jurisdiction. Management of the Council believes it has no material uncertain tax positions, and, accordingly, has not recognized any unrecognized tax liabilities in these financial statements.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassification adjustments had no effect on the the Council's previously reported change in net assets.

Recently adopted accounting pronouncement

In August 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)* ("ASU 2016-14"). This update significantly changes how not-for-profit entities present net assets on the face of the financial statements, as well as requires additional disclosures for expenses by nature and function and for liquidity and availability of resources. ASU 2016-14 is effective for years beginning after December 15, 2017, with early adoption permitted. The Council has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recently issued but not yet adopted accounting pronouncements

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The Council is currently evaluating the effect that this will have on its financial statements and related disclosures.

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 statement of financial position 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 Council is currently evaluating the effect that this will have on its financial statements and related disclosures.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-019"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in U.S. GAAP, including industry-specific guidance, when it becomes effective. The guidance is effective for years beginning after December 15, 2018. The Council is currently evaluating the effect that this will have on its financial statements and related disclosures.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, management has evaluated subsequent events through September 25, 2019, 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.

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**NOTE 3. LIQUIDITY AND AVAILABILITY**

The following represents the Council's financial assets as of June 30, 2019 and 2018:

Financial assets at year end:	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,022,777	\$ 2,658,459
Accounts receivable, net	250	1,360
Investments	<u>3,842,392</u>	<u>3,593,017</u>
Total financial assets at year end	5,865,419	6,252,836
Less amounts not available to be used within one year:		
Less net assets with Board designations	<u>(4,360,459)</u>	<u>(4,114,873)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,504,960</u>	<u>\$ 2,137,963</u>

The Council's goal is generally to maintain financial assets to sustain long-term investment without exposure to undue risk. As part of the Council's liquidity plan, investments are maintained in open-end mutual funds.

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 124,870	\$ 103,660
Computer equipment and software	330,605	365,869
Leasehold improvements	<u>161,310</u>	<u>3,603</u>
Total cost	616,785	473,132
Less: accumulated depreciation and amortization	<u>198,930</u>	<u>181,299</u>
Property and equipment, net	<u>\$ 417,855</u>	<u>\$ 291,833</u>

**NOTE 5. INVESTMENTS**

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.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 5. INVESTMENTS (CONTINUED)**

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. The Board has established a reserve fund which 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.

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, 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 Reserve and Investment Policy (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**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5. INVESTMENTS (CONTINUED)**

A summary of investments held as of June 30, 2019 and 2018, is as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 40,280	\$ 40,280	\$ 34,260	\$ 34,260
Open-end mutual funds:				
Large Value	-	-	701,584	792,675
World Bond	323,709	334,340	541,051	522,867
Multi-Sector Bond	377,732	363,589	393,725	368,910
World Stock	300,506	354,078	266,546	322,994
Intermediate Term	292,993	469,663	433,489	417,110
Large Blend	414,862	473,834	319,706	350,068
World Allocation	285,812	308,375	192,061	210,475
Large Growth	302,794	321,136	268,000	262,910
Multi-alternative	226,498	228,289	214,642	213,878
Short-term Bonds	327,020	330,546	98,009	96,870
Tactical Allocation	<u>554,377</u>	<u>618,262</u>	<u>-</u>	<u>-</u>
Subtotal	<u>3,406,303</u>	<u>3,802,112</u>	<u>3,428,813</u>	<u>3,558,757</u>
Total	<u>\$ 3,446,583</u>	<u>\$ 3,842,392</u>	<u>\$ 3,463,073</u>	<u>\$ 3,593,017</u>

Investment return consisted of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Investment return	\$ 287,793	\$ 217,732
Investment fees	<u>(30,699)</u>	<u>(29,747)</u>
Total	<u>\$ 257,094</u>	<u>\$ 187,985</u>

**NOTE 6. INVESTMENT IN AMHIC, A RECIPROCAL ASSOCIATION**

The Council invests in a subscriber savings account with AMHIC, A Reciprocal Association ("AMHIC"), a reciprocal insurance exchange and captive insurer. AMHIC acts as an insurer of health care and other employee benefits for healthcare, research, or other public service associations. The Council carries its investment in AMHIC at fair value with adjustments to the subscriber savings account included in investment return.

**COUNCIL FOR HIGHER EDUCATION ACCREDITATION**  
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**NOTE 7. NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions includes Board-designated funds consisting of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Board-designated:		
Fixed asset fund	\$ 18,067	\$ 21,856
Board-designated reserve fund	3,023,931	2,828,110
CHEA Emergency Reserve	500,000	500,000
Directors book fund	<u>818,461</u>	<u>764,907</u>
Total Board-designated net assets	<u>\$ 4,360,459</u>	<u>\$ 4,114,873</u>

Fixed asset fund

The purpose of the fixed asset fund is to set aside funds as needed for property and equipment additions, improvements, and other purchases. Funds are released upon incurring of expenses specifically related to this project.

Board-designated reserve fund

The purpose of the Board-designated reserve fund is to maintain a financial asset for future investment in the Council. Release of the funds is upon the Board's determination. Income earned on specified investment accounts is added to the principal of the Board-designated reserve fund.

CHEA Emergency Reserve

During the year ended June 30, 2018, the Board set aside \$500,000 of funds as an emergency reserve (the "CHEA Emergency Reserve") for use in an emergency situation. Release of the funds is upon approval by two of the following officers: President, Board Chair, and/or Board Treasurer. The funds are held in a cash money market account established by the Council (see Note 2).

Directors book fund

As part of the employment contract that the Council has with the President (see Note 12), the Council has agreed to pay the President's salary and benefits for a period of 12 months during which the President will serve as President Emeritus reporting directly to the Board through its Chair. The purpose of the directors book fund is to set aside funds specifically to meet this contractual obligation with the President. Release of funds from the directors book fund is upon Board determination, and income earned on specified investment accounts is added to the principal of the directors book fund.

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**NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to passage of time:		
Dues payments for future operations	\$ <u>1,705,951</u>	\$ <u>1,793,844</u>

Net assets were released from donor restrictions by the passage of time as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Expiration of time restrictions	\$ <u>1,793,844</u>	\$ <u>1,706,796</u>

**NOTE 9. CONCENTRATION OF CREDIT RISK**

The Council manages deposit concentration risk by placing its cash in bank deposit accounts with financial institutions believed by the Council to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Council has not experienced any losses in these accounts. The balances in excess of Federal Deposit Insurance Corporation insurance coverage of \$250,000 amounted to \$1,484,376 and \$1,316,688 at June 30, 2019 and 2018, respectively.

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 accompanying statements of financial position.

**NOTE 10. 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 nonqualified deferred compensation plan was expanded to include a top hat group of employees. The assets and liabilities relating to the plans totaling \$546,998 and \$498,153 as of June 30, 2019 and 2018, respectively, appear in the accompanying statements of financial position.

For the years ended June 30, 2019 and 2018, the Council contributed \$180,371 and \$174,584, respectively, on behalf of its employees to these plans.

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**NOTE 11. OCCUPANCY COSTS**

The Council entered into a lease for its office space under a non-cancelable operating lease agreement, which expires June 30, 2028. The lease agreement includes lease incentives including a three-month abatement period and an improvement allowance. The rental expense is recorded on the straight-line method over the terms of the lease.

Future minimum payments under the lease as of June 30, 2019, are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2020	\$ 196,152
2021	201,056
2022	206,082
2023	211,234
2024	216,515
2025 and thereafter	<u>921,561</u>
Total	<u>\$ 1,952,600</u>

Occupancy costs consisted of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Occupancy	\$ 209,002	\$ 130,005
Parking	2,586	2,554
Repairs and maintenance	2,851	3,026
Storage	<u>1,410</u>	<u>979</u>
Total	<u>\$ 215,849</u>	<u>\$ 136,564</u>

**NOTE 12. 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 13. 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).

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**NOTE 13. FAIR VALUE MEASUREMENTS (CONTINUED)**

The following tables summarize the Council's fair value measurements on a recurring basis using the valuation hierarchy as of June 30, 2019 and 2018:

Description	Level 1	Level 2	Level 3	Total at June 30, 2019	Valuation Technique
Investments:					
Cash	\$ 40,280	\$ -	\$ -	\$ 40,280	(a)
Open-end mutual funds	<u>3,802,112</u>	<u>-</u>	<u>-</u>	<u>3,802,112</u>	(a)
Total investments	<u>3,842,392</u>	<u>-</u>	<u>-</u>	<u>3,842,392</u>	
Investment in AMHIC	<u>-</u>	<u>-</u>	<u>5,119</u>	<u>5,119</u>	(c)
Investments in nonqualified employee benefit plan:					
Retirement annuities	<u>460,337</u>	<u>-</u>	<u>86,661</u>	<u>546,998</u>	(a)(c)
Total	<u>\$ 4,302,729</u>	<u>\$ -</u>	<u>\$ 91,780</u>	<u>\$ 4,394,509</u>	
Liabilities:					
Obligations under nonqualified employee benefit plan	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,661</u>	<u>\$ 86,661</u>	
Description	Level 1	Level 2	Level 3	Total at June 30, 2018	Valuation Technique
Investments:					
Cash	\$ 34,260	\$ -	\$ -	\$ 34,260	(a)
Open-end mutual funds	<u>3,558,757</u>	<u>-</u>	<u>-</u>	<u>3,558,757</u>	(a)
Total investments	<u>3,593,017</u>	<u>-</u>	<u>-</u>	<u>3,593,017</u>	
Investment in AMHIC	<u>-</u>	<u>-</u>	<u>3,535</u>	<u>3,535</u>	(c)
Investments in nonqualified employee benefit plan:					
Retirement annuities	<u>418,874</u>	<u>-</u>	<u>79,279</u>	<u>498,153</u>	(a)(c)
Total	<u>\$ 4,011,891</u>	<u>\$ -</u>	<u>\$ 82,814</u>	<u>\$ 4,094,705</u>	
Liabilities:					
Obligations under nonqualified employee benefit plan	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,279</u>	<u>\$ 79,279</u>	

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**NOTE 13. FAIR VALUE MEASUREMENTS (CONTINUED)**

During the year ended June 30, 2019, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Balance - beginning of year	\$ 79,279	\$ 72,394
Total realized and unrealized gains	2,653	2,385
Purchases, issuances and settlements	<u>4,729</u>	<u>4,500</u>
Balance - end of year	<u>\$ 86,661</u>	<u>\$ 79,279</u>

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

The following is a description of the valuation methodologies used for assets measured at fair value:

*Mutual funds:* valued at the quoted price of shares valued at year-end.

*Guaranteed investment contract:* value determined by the investment manager.

*Money market funds:* valued at cost plus accrued interest, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Council believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.





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