

COUNCIL FOR  
HIGHER EDUCATION  
ACCREDITATION

ANNUAL REPORT  
2008 - 2009

CHEEA<sup>®</sup>

## **The Council for Higher Education Accreditation Mission Statement**

*The Council for Higher Education Accreditation will serve students and their families, colleges and universities, sponsoring bodies, governments and employers by promoting academic quality through formal recognition of higher education accrediting bodies and will coordinate and work to advance self-regulation through accreditation.*

—1996

*A national advocate and institutional voice for self-regulation of academic quality through accreditation, CHEA is an association of 3,000 degree-granting colleges and universities and recognizes 59 institutional and programmatic accrediting organizations.*

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## Letter from the Chair

Dear Colleagues:

The mission statement for the Council for Higher Education Accreditation (CHEA) – printed in its entirety at the beginning of this *Annual Report* – states that the organization will “work to advance self-regulation through accreditation.” Throughout the past year, CHEA has addressed the challenges posed by increased regulatory requirements, the growing focus on accountability and transparency and a social atmosphere where the value of self-regulation is questioned and has made solid progress on behalf of its member institutions.



Every year, the CHEA Board of Directors works closely with CHEA’s President to establish organizational goals addressing a range of issues including government affairs, international activities, recognition and member services. In each of these areas, it has been a year of accomplishment for CHEA, as you will read in this *Annual Report*.

All of us will look back on 2008-2009 as a year of uncertainty, financial turmoil and change. Even in the face of this difficult and pressure-filled environment, CHEA’s membership and financial position have remained strong. We are as deeply committed as ever to serving as a leading advocate for accreditation and institutional leadership for issues related to academic quality and accountability.

Commitment. Progress. Setting and achieving goals. As chair of the Board of Directors and as a longtime supporter of this organization, I am pleased to say that these words describe CHEA in 2008-2009.

We thank you for your involvement in CHEA, we welcome your continued participation ... and we will look for your continuing support in the year ahead.

Sincerely,

A handwritten signature in black ink that reads "John D. Wiley". The signature is written in a cursive, flowing style.

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

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## Letter from the President



Dear Colleagues:

I thank all of CHEA's 3,000 member institutions for helping to make 2008-2009 another outstanding year for CHEA. As you will read in this *Annual Report*, CHEA met the challenges posed by new laws and proposed regulations governing higher education accreditation, by the need to combat degree mills and accreditation mills, by emerging international issues and by a host of other accreditation-related issues. Throughout the year, CHEA worked diligently to promote higher education accreditation and highlight its value.

None of this successful activity would be possible without the support of CHEA's members. I particularly thank CHEA member institutions for their active involvement and participation in the *CHEA Initiative*, our newly launched national dialogue on the future of accreditation. The discussion generated by those who have attended National Accreditation Fora and shared ideas and comments on the future of accreditation made the first year of the *CHEA Initiative* a resounding success.

Please take a few minutes to read this *Annual Report* and to learn what CHEA has accomplished on your behalf in 2008-2009. For the first time, we are publishing this report electronically and posting it to the CHEA Website. This will increase its accessibility for members and supporters and will enable you to send a link to the report to anyone in your institution or elsewhere who should know more about CHEA. The *Annual Report* also is designed so that you can easily print a copy.

This year and every year, the active engagement of CHEA members is the key to our success on all of the issues that we address. We look forward to continuing our efforts on our members' behalf in 2009-2010.

Sincerely,

A handwritten signature in black ink that reads "Judith Eaton". The signature is fluid and cursive, with a large initial "J" and "E".

Judith Eaton  
President

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# Representing Higher Education Accreditation, Serving Our Members

CHEA maintained a busy pace in 2008-2009, addressing a range of issues from the launch of the *CHEA Initiative* to attention to federal and state government policy, degree mills, international challenges and the CHEA recognition function. Throughout the year, CHEA served as a strong and vocal advocate for higher education accreditation, representing CHEA's 3,000 member institutions, as well as providing an authoritative source of information on the accreditation process and its value.

## ***The CHEA Initiative: Building the Future of Accreditation***

CHEA's work during 2008-2009 was built around the *CHEA Initiative*. Launched in September 2008, the *Initiative* is a new and innovative approach to leading a national discussion of the future of accreditation, its role and relationship with government and the public. The goals of this multi-year effort are to build consensus in the community with regard to the future role of accreditation and its relationship with government and preserve and enhance accreditation's strength and value as a key means to sustaining self-regulation in higher education.

During the past 12 months, CHEA held three "National Accreditation Fora" – open and ongoing discussions of the future of accreditation involving professionals, government and the public. CHEA met with numerous accrediting commissions, launched a series of CEO/CAO roundtables, held or participated in constituent meetings with institutions, associations and accreditation organizations and met with a number of regional, programmatic, national faith-related and national career-related accrediting commissions.

CHEA President Judith Eaton delivered speeches to a variety of audiences, focusing on the future of accreditation and highlighting the *CHEA Initiative*. White Papers on accreditation and the future of accreditation were prepared by higher education experts and presented at the fora and the 2009 CHEA Annual Conference (available on the CHEA Website in a special section on the *CHEA Initiative*).

By the end of the year, six issues had been identified as most prominent for ongoing consideration of the future of accreditation: 1) advocacy for accreditation, 2) accreditation's relationship with the federal government, 3) accreditation and accountability, 4) accreditation's relationship with state governments, 5) the relationship between institutions and accrediting organizations and 6) the relationships among accreditors. These six issues will form the basis for ongoing discussion as part of the *CHEA Initiative* in 2009-2010.

## ***Strategic Federal and State Government Activities***

### ***Federal Government Activities***

To the U.S. Congress and U.S. Department of Education (USDE), CHEA is a primary advocate for accreditation and source of reliable information on voluntary accreditation and quality assurance.

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The Higher Education Opportunity Act of 2008 (HEOA) reauthorizing the 1965 Higher Education Act (HEA) was signed into law on August 14, 2008. This new law is expansive and includes a number of provisions that signal, in some instances, less-than-desirable changes in the relationship between accreditation and the federal government as well as in the relationship between institutions and the federal government. Nonetheless, CHEA was successful in advocating a number of provisions intended to provide balance in the accreditation-government relationship, reflecting both appropriate accountability and appropriate independence so that accreditation and institutions focus primarily on academic issues and government focuses on general institutional viability essential to prudent use of federal funds. CHEA also advocated the removal of some potentially burdensome provisions from the HEOA.



*John Dill of the U.S. Department of Defense makes a point at the 2009 CHEA Annual Conference.*

Of particular significance, CHEA and other colleagues were successful in their support for language in HEOA stating that the Secretary of Education will not regulate student achievement as this relates to the federal oversight of accreditation through the National Advisory Committee on Institutional Quality and Integrity (NACIQI). And, HEOA contains the first-ever federal definition of higher education degree mills, seeking to discourage and ultimately eliminate rogue operations that undermine legitimate higher education.

USDE held negotiated rulemaking sessions following the signing of HEOA, as required by federal law. This is a committee process by which the federal government consults with interested parties to develop new regulations to accompany new or current law. These sessions took place between March and May 2009. CHEA served as a resource for its institutional members, accrediting organizations and the public, providing in-depth information and analysis on the negotiated rulemaking and draft regulatory language developed, through CHEA's newest publication, the *Federal Update*.



*Congressman Tim Bishop of New York, a member of the House Committee on Education and Labor, addresses the 2009 CHEA Annual Conference.*

As in previous years, CHEA met with and maintained contact with representatives from USDE, the U.S. Senate and House of Representatives and staff from committees of jurisdiction for higher education. CHEA worked to assure that the accreditation process and the value of accreditation were understood by members of the new administration and new leadership on Capitol Hill.

### *State Government Activities*

During the past year, CHEA focused on the importance of parity for all recognized accreditors at the state level, seeking to assure that institutions and programs accredited by organizations recognized by either CHEA or USDE would at least be considered for authorization to operate in a state.

CHEA contacted legislators in the 50 states to urge that recognition from either source was a strong indication of the reliability of accrediting organizations and the entities they accredited. The goal here was to ask states that currently acknowledge only one source of recognition to reconsider this position because of the potential disservice to students and the state itself.

Similar to efforts with the federal government, CHEA worked with state governments to encourage law and regulations designed to combat degree mills and the use of fraudulent degrees. In letters sent to each state governor, CHEA urged states to establish or strengthen definitions in state law or regulation for “degree mills” and “accreditation mills,” to take, as needed, additional legislative and regulatory steps to discourage or eliminate the use of fraudulent credentials and work with CHEA and other states and organizations to enhance public awareness and understanding of these bogus providers.

### **International Activities**

CHEA continued to lead the fight against degree mills and accreditation mills internationally as well. During 2008-09, CHEA worked with the United Nations Educational, Scientific and Cultural Organization (UNESCO), hosting meetings in Washington, D.C. and Paris. The meetings focused on identifying practices to discourage or eliminate degree mills in countries around the world. Representatives from the higher education community, accrediting bodies, associations, government and the business world took part in the meetings, including participants from Africa, Asia, Australia, Europe and North America.



*CHEA President Judith Eaton speaks out on television about the need to combat degree mills.*

These meetings culminated in a June 2009 CHEA/UNESCO statement, *Effective Practice to Discourage Degree Mills in Higher Education*, that received international media coverage. Suggested actions to combat degree mills included: 1) Create tools to identify degree mills, 2) use evidence of quality provided by acknowledged competent authorities on academic quality, 3) encourage providers of public and private funding for higher education to avoid funding degree mills and their students, 4) inform the public about degree mills, 5) pursue legal action against degree mills and use of fraudulent credentials and 6) focus on cross-border degree mill operations. Numerous stories have appeared in print and broadcast media highlighting CHEA’s work in this important area. The statement received considerable attention at the July 2009 UNESCO World Conference on Higher Education as well.



*Stamenka Uvalić-Trumbić of UNESCO and John Daniel of the Commonwealth of Learning lead a session at the 2009 CHEA International Forum.*

CHEA was actively engaged with UNESCO in the development of its *Portal on Higher Education Institutions*. The *Portal* is an online source of information maintained by UNESCO on higher education institutions recognized or otherwise sanctioned by competent authorities in participating countries. On its own Website, CHEA maintains an *International Directory*, providing contact information on quality assurance and accreditation bodies as well as ministries of education throughout the world.

CHEA continued its leadership role as a U.S.-based venue for discussion of international quality assurance and accreditation, hosting an International Seminar in conjunction with its Annual Conference. In 2009, more than 100 people from 28 countries participated in the seminar, addressing such topics as international quality standards, degree mills, qualifications frameworks and ranking systems.

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## **Serving as a Leading Advocate and Authoritative Information Source on Accreditation**

In addition to serving as a strong and outspoken advocate for the value of higher education accreditation, CHEA is a foremost authoritative source of information on accreditation-related issues.

Ongoing publications provide an important source of information on accreditation. *Inside Accreditation* addresses a variety of issues related to accreditation and higher education, such as the passage of the HEOA, the *CHEA Initiative*, quality assurance and accountability. In 2008-2009, CHEA updated three key resource publications, *The Condition of Accreditation*, *An Overview of U.S. Accreditation* and its web-based *Accreditation and Recognition in the United States*. The *Condition* provides detailed quantitative information on the national and international activity of accrediting organizations while the *Overview* offers a succinct description of accreditation purpose and process. *Accreditation and Recognition* combines key information from both of these documents – providing timely, accurate material on accreditation. Copies of these publications are provided free of charge to CHEA institutional members and the public and are available on CHEA's Website.

During 2008-09, CHEA published the 2007 issue of its biannual authoritative *Almanac of External Quality Review*, a detailed compilation of recognized accrediting organizations and their activities, CHEA policy statements and advisories in a range of accreditation-related areas, accompanied by a useful narrative of the history and operation of accreditation in the United States.

The CHEA Website continues to serve as an unsurpassed resource for information on higher education accreditation. The *CHEA Database of Institutions and Programs Accredited by Recognized U.S. Accrediting Organizations* is the most comprehensive listing of accredited institutions and programs available, with more than 7,700 degree-granting and non-degree-granting institutions and more than 18,700 programs that are accredited by United States accrediting organizations that have been recognized by either CHEA or USDE or both. The database is visited by students, parents and employers seeking to determine the accreditation status of higher education institutions and programs. It is used by governments around the world.

The *CHEA-Recognized Accrediting Organizations Directory* and the *CHEA International Directory* are visited thousands of times each month. The CHEA Website is regularly updated with new items, including news releases and issues of CHEA publications, as well as information on CHEA meetings and activities, including the *CHEA Initiative*. CHEA also maintains a *listing* of CHEA's 3,000 member institutions, available on the CHEA Website, demonstrating that those colleges and universities are active supporters of higher education accreditation.

## **Recognition of Accrediting Organizations**

CHEA's recognition function is one of the organization's most important activities. U.S. accrediting organizations seeking recognition are periodically scrutinized by CHEA for their effectiveness and reliability. CHEA is the only nongovernmental higher education organization that undertakes the scrutiny of the quality of regional, national faith-related, national career-related and programmatic accrediting organizations. The federal government, through USDE, also carries out a recognition function.

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CHEA recognition is carried out primarily by a committee appointed by the CHEA Board of Directors. During 2008-2009, the Committee on Recognition focused on preparation for the upcoming reaffirmation of recognition of the current 59 CHEA-recognized accrediting organizations that will begin in Fall 2009 and likely last until 2012. The committee also identified a number of areas of accreditation operation to which members may wish to pay particular attention in the future. These were how accrediting organizations address student achievement, international activity, the independence of accrediting organizations and the recent growth in the type and number of accrediting organizations seeking CHEA recognition.

### **Serving CHEA's Members**

The many activities in which CHEA has been engaged during 2008-2009 are part of CHEA providing useful service to its member colleges and universities. The past year was excellent for CHEA membership, with the number of institutional members greater than at any time in our history. This included 225 degree-granting colleges and universities that joined CHEA for the first time or returned to CHEA membership following an absence of one or more years.

CHEA continued its outreach to member institutions' chief executive officers and chief academic officers through its ongoing interview series, the CEO/CAO Project. These valuable discussions provide insights on members' views of the role of accreditation, its uses and ways to further strengthen its effectiveness. The interviews have also provided important ideas and commentary on the future of accreditation, tying these conversations to the *CHEA Initiative*.

As in prior years, the *CHEA Award for Institutional Progress in Student Learning Outcomes* acknowledges outstanding institutional progress in developing and applying evidence of student learning outcomes as part of the ongoing evaluation and improvement of college and university programs. The *CHEA Award* highlights the importance for CHEA member institutions of attending to student achievement, especially given the current intense focus on accountability. In 2009, the Award was presented to Delaware Technical & Community College and Northern Arizona University for their outstanding efforts in student achievement.

As a means of acknowledging the importance of accreditation, a number of member institutions' Websites now feature the CHEA logo, indicating that they are institutional members of CHEA and are accredited by a CHEA-recognized accrediting organization. CHEA makes this *logo* available to all members and encourages its use on their Websites and in their publications.

### **What's Ahead**

2008-2009 was a year of activity and accomplishment for CHEA. In the year ahead, CHEA will continue its progress on the *CHEA Initiative* and the future of accreditation, strategic federal and state government affairs activities, efforts to combat degree mills and accreditation mills, strengthening the CHEA recognition policy and providing valuable services and benefits to CHEA member institutions. In all its efforts and activities, CHEA will serve as a strong and outspoken advocate for the value of higher education accreditation.



*Thomas W. Paridis of Northern Arizona University and Deborah St. Jean of Delaware Technical & Community College accept the 2009 CHEA Award on behalf of their institutions.*

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# Independent Auditor's Report

LANE & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

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

We have audited the accompanying statements of financial position of the Council for Higher Education Accreditation (the Council) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Council for the year ended June 30, 2008 were audited by other auditors, whose report, dated September 5, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council for Higher Education Accreditation as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Washington, D.C., USA  
August 12, 2009

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# Statement of Financial Position

June 30, 2009 and 2008

| <b>June 30,</b>  | <b>2009</b>         | <b>2008</b>         |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| Cash and cash equivalents - Notes B & H                      | \$ 3,398,149        | \$ 3,378,300        |
| Interest receivable  | 5,164               | 7,841               |
| Accounts receivable  | 5,856               | -                   |
| Prepaid expenses   | 18,665              | 17,475              |
| Investment in nonqualified employee benefit plan - Note I    | 136,329             | 140,359             |
| Property and equipment, net - Note C                         | 210,671             | 224,826             |
| Trademark and copyright costs, net                           | 3,918               | 4,457               |
| <b>Total assets</b>  | <b>\$ 3,778,752</b> | <b>\$ 3,773,258</b> |
| <b>Liabilities and Net Assets</b>                            |                     |                     |
| Liabilities  |                     |                     |
| Accounts payable and accrued expenses                        | \$ 170,241          | \$ 239,934          |
| Deferred revenue   | 913,833             | 934,119             |
| Obligation under nonqualified employee benefit plan - Note I | 136,329             | 140,359             |
| Total liabilities  | 1,220,403           | 1,314,412           |
| Commitments and contingencies - Notes J & K                  | -                   | -                   |
| Net assets   |                     |                     |
| Unrestricted - Note D  | 2,558,349           | 2,416,349           |
| Temporarily restricted - Note E                              | -                   | 42,497              |
| Total net assets   | 2,558,349           | 2,458,846           |
| <b>Total liabilities and net assets</b>                      | <b>\$ 3,778,752</b> | <b>\$ 3,773,258</b> |

# Statement of Activities

For the Year ended June 30, 2009

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

# Statement of Activities

For the Year ended June 30, 2008

|                                      | Unrestricted        |               |                     | Temporarily Restricted: |                     |
|--------------------------------------|---------------------|---------------|---------------------|-------------------------|---------------------|
|                                      | Operating           | Grant         | Total               | Grant                   | Total               |
| <b>Revenue</b>                       |                     |               |                     |                         |                     |
| Membership dues                      | \$ 2,291,968        | \$ -          | \$ 2,291,968        | \$ -                    | \$ 2,291,968        |
| Conference fees                      | 157,000             |               | 157,000             |                         | 157,000             |
| Interest income                      | 123,469             |               | 123,469             |                         | 123,469             |
| Publication revenue and other        | 7,426               |               | 7,426               |                         | 7,426               |
| Net assets released from restriction |                     | 68,798        | 68,798              | (68,798)                | -                   |
| <b>Total revenue</b>                 | <b>2,579,863</b>    | <b>68,798</b> | <b>2,648,661</b>    | <b>(68,798)</b>         | <b>2,579,863</b>    |
| <b>Expense - Note G</b>              |                     |               |                     |                         |                     |
| Personnel                            | 1,238,493           | 8,571         | 1,247,064           |                         | 1,247,064           |
| Conference                           | 143,453             |               | 143,453             |                         | 143,453             |
| Professional fees                    | 139,518             |               | 139,518             |                         | 139,518             |
| Office expenses                      | 105,766             |               | 105,766             |                         | 105,766             |
| Committees                           | 95,147              |               | 95,147              |                         | 95,147              |
| Travel                               | 24,067              | 60,227        | 84,294              |                         | 84,294              |
| Printing and publications            | 80,163              |               | 80,163              |                         | 80,163              |
| Occupancy costs - Note J             | 51,831              |               | 51,831              |                         | 51,831              |
| Research and policy                  | 28,750              |               | 28,750              |                         | 28,750              |
| Information systems                  | 28,744              |               | 28,744              |                         | 28,744              |
| Consultants                          | 18,601              |               | 18,601              |                         | 18,601              |
| Depreciation and amortization        | 16,020              |               | 16,020              |                         | 16,020              |
| Website                              | 9,570               |               | 9,570               |                         | 9,570               |
| Sponsorship                          | 1,100               |               | 1,100               |                         | 1,100               |
| Government relations                 | 486                 |               | 486                 |                         | 486                 |
| <b>Total expense</b>                 | <b>1,981,709</b>    | <b>68,798</b> | <b>2,050,507</b>    | <b>-</b>                | <b>2,050,507</b>    |
| <b>Change in net assets</b>          | <b>598,154</b>      | <b>-</b>      | <b>598,154</b>      | <b>(68,798)</b>         | <b>529,356</b>      |
| <b>Net assets, July 1, 2007</b>      | <b>1,818,195</b>    |               | <b>1,818,195</b>    | <b>111,295</b>          | <b>1,929,490</b>    |
| <b>Net assets, June 30, 2008</b>     | <b>\$ 2,416,349</b> | <b>\$ -</b>   | <b>\$ 2,416,349</b> | <b>\$ 42,497</b>        | <b>\$ 2,458,846</b> |

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# Statement of Cash Flows

For the Years ended June 30, 2009 and 2008

| <i>Year Ended June 30,</i>  | <b>2009</b>         | <b>2008</b>         |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities</b>   |                     |                     |
| Change in net assets  | \$ 99,503           | \$ 529,356          |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                     |
| Depreciation and amortization   | 47,431              | 16,020              |
| Net loss on disposal of property and equipment  | -                   | 1,479               |
| Changes in assets and liabilities:  |                     |                     |
| Interest receivable   | 2,677               | 11,417              |
| Accounts receivable   | (5,856)             | 43,523              |
| Prepaid expenses  | (1,191)             | (1,655)             |
| Accounts payable and accrued expenses   | (69,692)            | 109,145             |
| Deferred revenue  | (20,286)            | 456,533             |
| Total adjustments   | (46,917)            | 636,462             |
| Net cash provided by operating activities   | 52,586              | 1,165,818           |
| <b>Cash flows from investing activities</b>   |                     |                     |
| Purchases of property and equipment   | (32,737)            | (197,636)           |
| Net cash used in investing activities   | (32,737)            | (197,636)           |
| <b>Net increase in cash and cash equivalents</b>  | <b>19,849</b>       | <b>968,182</b>      |
| Cash and cash equivalents, beginning of year  | 3,378,300           | 2,410,118           |
| <b>Cash and cash equivalents, end of year</b>   | <b>\$ 3,398,149</b> | <b>\$ 3,378,300</b> |

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# Notes to Financial Statements

For the Years ended June 30, 2009 and 2008

## A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Council for Higher Education Accreditation (the Council) is a District of Columbia corporation. The Council is dedicated to serving students and their families, colleges and universities, sponsoring bodies, governments, and employers by promoting academic quality through formal recognition of higher education accrediting bodies and working to advance self-regulation through accreditation.

Income tax status: The Council is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. The Council is classified by the Internal Revenue Service as other than a private foundation.

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

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

Property and equipment: Furniture and equipment are recorded at cost. Furniture and equipment greater than \$500 are capitalized and then depreciated using the straight-line method over the estimated service lives of the assets (5-7 years). Leasehold improvements greater than \$1,000 are capitalized and then amortized over the term of the lease or the estimated useful life of the improvement, whichever is shorter.

Trademark and copyright costs: Costs relating to trademarks and copyrights are capitalized and amortized using the straight-line method over fifteen years. Accumulated amortization at June 30, 2009 and 2008, was \$3,840 and \$3,302, respectively. Management periodically reviews the trademark and copyright costs for potential impairment. As of June 30, 2009 and 2008, it has been determined that no impairment has occurred.

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

Restricted and unrestricted net assets: The Council records contributions and donor-restricted support as unrestricted or temporarily restricted depending on the existence and or the nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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# Notes to Financial Statements

For the Years ended June 30, 2009 and 2008

## B. CASH AND CASH EQUIVALENTS

For financial statement purposes, the Council considers all U.S. government obligations and certificates of deposit to be cash equivalents. Cash and cash equivalents consisted of the following at June 30:

|                                  | 2009                       | 2008                       |
|----------------------------------|----------------------------|----------------------------|
| Demand deposits and money market | \$ 619,374                 | \$ 1,396,399               |
| Certificates of deposits         | 2,778,775                  | 979,901                    |
| U.S. Treasury bills              | <u>-</u>                   | <u>1,002,000</u>           |
|                                  | <b><u>\$ 3,398,149</u></b> | <b><u>\$ 3,378,300</u></b> |

## C. PROPERTY AND EQUIPMENT

|  | 2009                     | 2008                     |
|--|--------------------------|--------------------------|
| Furniture and equipment                        | \$ 139,089               | \$ 138,305               |
| Computer equipment and software                | 74,353                   | 68,404                   |
| Leasehold improvements                         | <u>220,487</u>           | <u>194,483</u>           |
|  | 433,929                  | 401,192                  |
| Less accumulated depreciation and amortization | <u>(223,258)</u>         | <u>(176,366)</u>         |
|  | <b><u>\$ 210,671</u></b> | <b><u>\$ 224,826</u></b> |

## D. UNRESTRICTED NET ASSETS – UNDESIGNATED AND DESIGNATED

The Board of Directors has approved the designation a portion of unrestricted net assets with the stated goal of maintaining a reserve equal to between 67 and 100 percent of annual operating expenditures. Undesignated and designated unrestricted net assets consist of the following at June 30,

|                         | 2009                       | 2008                       |
|-------------------------|----------------------------|----------------------------|
| Undesignated            | \$ 581,610                 | \$ 475,214                 |
| Designated              |                            |                            |
| Operating reserve       | 1,575,045                  | 1,731,275                  |
| Book commission reserve | <u>401,694</u>             | <u>209,860</u>             |
| Total designated        | <u>1,976,739</u>           | <u>1,941,135</u>           |
|                         | <b><u>\$ 2,558,349</u></b> | <b><u>\$ 2,416,349</u></b> |

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# Notes to Financial Statements

For the Years ended June 30, 2009 and 2008

## D. UNRESTRICTED NET ASSETS – UNDESIGNATED AND DESIGNATED – CONTINUED

Book Commission Reserve: The purpose of this reserve is to fund the writing of a book on higher education accreditation. In FY08 the Board of Directors approved a transfer of \$200,000 to establish the book reserve. In FY09 the Board of Directors approved a transfer of \$185,667 to the Book Commission Reserve. Interest income earned on these funds becomes a part of the Board-designated Book Commission Reserve. The Book Commission Reserve earned interest income of \$6,167 and \$9,860 during the years ended June 30, 2009 and 2008, respectively. No expenses were incurred from the reserve during each of the years ended June 30, 2009 and 2008.

President's Project: At the January 2005 meeting, the Board of Directors approved the transfer of \$90,000 from designated reserve funds to operations to fund the President's Project. The purpose of the project was to enhance the investment of university/college presidents in self-regulation, accreditation, and quality assurance as the most important means to assure the quality of higher education in the future. The project was completed, and cumulative expenses for this project totaled \$90,000 as of June 30, 2008.

## E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$0 and \$42,497 as of June 30, 2009 and 2008, respectively, are available for the Ford Grant. Temporarily restricted net assets have been released from restrictions by incurring expenses satisfying the purposes of the grant as specified by the Ford Foundation as follows:

|                                 | 2009            | 2008             |
|---------------------------------|-----------------|------------------|
| Beginning balance               | \$ 42,497       | \$ 111,295       |
| Expenses incurred on Ford grant | <u>(42,497)</u> | <u>(68,798)</u>  |
| Ending balance                  | <u>\$ -</u>     | <u>\$ 42,497</u> |

## F. FAIR VALUE MEASUREMENTS

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

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

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

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

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# Notes to Financial Statements

For the Years ended June 30, 2009 and 2008

Cash equivalents stated at fair value consist of Level 1 and 2 assets. The value of Level 2 cash equivalents as of June 30, 2009 and 2008 was \$2,778,775 and \$979,901, respectively. The value of Level 1 cash equivalents as of June 30, 2009 and 2008 was \$619,374 and \$2,398,399, respectively.

## G. FUNCTIONAL EXPENSE

The costs of providing the various programs and other activities have been summarized on a functional basis below. Accordingly, certain costs have been allocated among program services, management and general, and fund-raising based on evaluations of the related benefit. Functional expense consisted of the following for the years ended June 30:

|                           | 2009                       | 2008                       |
|---------------------------|----------------------------|----------------------------|
| Program services:         |                            |                            |
| Meetings and conferences  | \$ 706,432                 | \$ 604,880                 |
| Research and policy       | 512,331                    | 438,682                    |
| Government relations      | 332,392                    | 284,610                    |
| Recognition policy        | <u>135,900</u>             | <u>116,364</u>             |
| Total program services    | 1,687,055                  | 1,444,536                  |
| Supporting services:      |                            |                            |
| Management and general    | 639,113                    | 547,239                    |
| Fund-raising              | <u>68,593</u>              | <u>58,732</u>              |
| Total supporting services | <u>707,706</u>             | <u>605,971</u>             |
|                           | <b><u>\$ 2,394,761</u></b> | <b><u>\$ 2,050,507</u></b> |

## H. CONCENTRATION OF CREDIT RISK

The Council maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Council has not experienced any such losses in the past and does not believe it is exposed to any significant financial risk on these cash balances.

The Council also invests funds in a professionally managed portfolio that contains various types of certificates of deposit and treasury bills. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

## I. RETIREMENT PLANS

The Council maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The Plan covers full-time employees of the Council. The Council contributes 10 percent of gross salaries for qualified employees to the Plan. Employees may make contributions to the Plan up to the

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# Notes to Financial Statements

## For the Years ended June 30, 2009 and 2008

maximum amount allowed by the Internal Revenue Code. For the years ended June 30, 2009 and 2008, the Council contributed \$97,424 and \$97,816 respectively, on behalf of its employees.

In 2003, the Council established a Section 457(b) deferred compensation plan as part of the President's contract. In 2005, the deferred compensation plan was expanded to include a top hat group of employees, funded entirely by the employees. Both are funded through annuity contracts. The assets and liabilities relating to the plans appear in the statements of financial position.

### J. OPERATING LEASE

The Council leases its office space under a non-cancelable operating lease agreement, which expires June 30, 2018. The lease agreement provides for a minimum annual base rent plus the lessee's prorated share of real estate taxes and building operating expenses. Future minimum payments under the lease are as follows:

| <b>Year Ending June 30,</b> |                     |
|-----------------------------|---------------------|
| 2010                        | 100,760             |
| 2011                        | 100,760             |
| 2012                        | 115,360             |
| 2013                        | 115,360             |
| 2014                        | 122,570             |
| Thereafter                  | <u>547,900</u>      |
|                             | <u>\$ 1,102,710</u> |

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

|                         | <b>2009</b>       | <b>2008</b>      |
|-------------------------|-------------------|------------------|
| Rent                    | \$ 118,172        | \$ 46,287        |
| Parking                 | 2,143             | 2,089            |
| Repairs and maintenance | 3,788             | 1,737            |
| Storage                 | <u>1,531</u>      | <u>1,718</u>     |
|                         | <u>\$ 125,634</u> | <u>\$ 51,831</u> |

### K. EMPLOYMENT AGREEMENT

The Council has an employment agreement with its President. The term of the agreement is April 29, 2003, through June 30, 2011, with a sabbatical leave from July 1, 2011 through June 30, 2012. During the sabbatical leave, the President will provide services to the Council.

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# 2008–2009 Board of Directors

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

## EXECUTIVE COMMITTEE

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

**Gregory M. O'Brien, *Vice Chair***, President Emeritus, Argosy University

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

**R. Judson Carlberg, *Treasurer***, President, Gordon College

**William E. Kirwan, *Member at Large***, Chancellor, The University System of Maryland

**Carolyn G. Williams, *Member at Large***, President, Bronx Community College

## BOARD OF DIRECTORS

**Caesar Andrews**, Public Member

**John E. Bassett**, President, Clark University

**David G. Carter**, Chancellor, Connecticut State University System

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

**Larry L. Earvin**, President and Chief Executive Officer,  
Huston-Tillotson University

**Bobby Fong**, President, Butler University

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

**Madlyn L. Hanes**, Chancellor, Penn State Harrisburg

**Charles Larson**, Chair, ViaGlobal Group

**Nancy A. Marlin**, Provost, San Diego State University

**Chris McCarthy**, President, Napa Valley College

**Karen W. Morse**, President Emeritus, Western Washington University

**Paula E. Peinovich**, Managing Partner, Right Sourcing Associates



*Caesar Andrews, Public Member of the  
2008-2009 CHEA Board of Directors.*

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## 2008–2009 Committee on Recognition

The CHEA Committee on Recognition is responsible for considering the eligibility and recognition status of new and continuing accrediting organizations. The committee consists of nine members, each serving a three-year term, and includes public members, members from regional, specialized, national and professional accrediting organizations and members from colleges and universities.

**Ronald Blumental**

Senior Vice President, Kaplan University

**Barbara Brittingham**

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

**William B. DeLauder (Chair)**

President Emeritus, Delaware State University

**Joanne S. Greathouse**

Director, Program in Radiography, Apollo College

**Olive M. Kimball**

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

**J.D. LaRock**

Policy Director, Executive Office of Education, Commonwealth of Massachusetts

**Estela R. López**

Public Member

**Sheryl L. Moody**

Attorney at Law

**David Werner**

Chancellor Emeritus, Southern Illinois University Edwardsville



*William DeLauder, President Emeritus of Delaware State University and Chair of the 2008-2009 CHEA Committee on Recognition.*

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# 2008-2009 CHEA-Recognized Accrediting Organizations

## NATIONAL FAITH-RELATED

Association for Biblical Higher Education, Commission on Accreditation

Association of Advanced Rabbinical and Talmudic Schools

Commission on Accrediting of the Association of Theological Schools in the United States and Canada

Transnational Association of Christian Colleges and Schools, Accreditation Commission

## NATIONAL CAREER-RELATED

Accrediting Council for Independent Colleges and Schools

Distance Education and Training Council, Accrediting Commission

## REGIONAL

Middle States Association of Colleges and Schools, Middle States Commission on Higher Education

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

New England Association of Schools and Colleges, Commission on Technical and Career Institutions\*

North Central Association of Colleges and Schools, The Higher Learning Commission

Northwest Commission on Colleges and Universities

Southern Association of Colleges and Schools, Commission on Colleges

Western Association of Schools and Colleges, Accrediting Commission for Community and Junior Colleges

Western Association of Schools and Colleges, Accrediting Commission for Senior Colleges and Universities

## PROGRAMMATIC

AACSB International –The Association to Advance Collegiate Schools of Business

ABET, Inc.

Accreditation Council for Pharmacy Education

Accreditation Review Commission on Education for the Physician Assistant, Inc.

Accrediting Council on Education in Journalism and Mass Communications

American Association for Marriage and Family Therapy, Commission on Accreditation for Marriage and Family Therapy Education

American Association of Family and Consumer Sciences, Council for Accreditation

\* This commission voluntarily withdrew from CHEA recognition in April 2009. The organization no longer accredits a majority of degree-granting institutions.

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## 2008-2009 CHEA-Recognized Accrediting Organizations

American Association of Nurse Anesthetists, Council on Accreditation of Nurse Anesthesia Educational Programs

American Board of Funeral Service Education, Committee on Accreditation

American Council for Construction Education

American Culinary Federation Foundation, Inc. Accrediting Commission

American Dietetic Association, Commission on Accreditation for Dietetics Education

American Library Association, Committee on Accreditation

American Occupational Therapy Association, Accreditation Council for Occupational Therapy Education

American Optometric Association, Accreditation Council on Optometric Education

American Physical Therapy Association, Commission on Accreditation in Physical Therapy Education

American Podiatric Medical Association, Council on Podiatric Medical Education

American Psychological Association, Committee on Accreditation

American Society of Landscape Architects, Landscape Architectural Accreditation Board

American Speech-Language-Hearing Association, Council on Academic Accreditation in Audiology and Speech-Language Pathology

American Veterinary Medical Association, Council on Education

Association of Collegiate Business Schools and Programs

Association of Technology, Management, and Applied Engineering  
*Formerly National Association of Industrial Technology*

Aviation Accreditation Board International

Commission on Accreditation of Allied Health Education Programs

Commission on Accreditation of Healthcare Management Education

Commission on Collegiate Nursing Education

Council for Accreditation of Counseling and Related Educational Programs

Council for Interior Design Accreditation

Council on Chiropractic Education, Commission on Accreditation

Council on Rehabilitation Education, Commission on Standards and Accreditation

Council on Social Work Education, Commission on Accreditation

Joint Review Committee on Education Programs in Radiologic Technology

Joint Review Committee on Educational Programs in Nuclear Medicine Technology

National Accrediting Agency for Clinical Laboratory Sciences

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

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## 2008-2009 CHEA-Recognized Accrediting Organizations

National Association of Schools of Dance, Commission on Accreditation

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

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

National Association of Schools of Theatre, Commission on Accreditation

National Council for Accreditation of Teacher Education

National League for Nursing Accrediting Commission, Inc.

National Recreation and Park Association, Council on Accreditation

Planning Accreditation Board

Society of American Foresters

Teacher Education Accreditation Council, Inc.



*Mary Jane Harris of the American Physical Therapy Association and Donna Gollnick of the National Council for Accreditation of Teacher Education.*

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# Key Dates in the History of CHEA

## March 1996

- Formation of CHEA through first-ever referendum of college and university presidents. Fifteen-member board of directors elected, bylaws approved.

## July 1996

- Initial meeting of CHEA Board of Directors.
- Dr. Larry Braskamp named interim executive director.

## September 1996

- CHEA Advisory Panels formed.
- Board of directors adopts CHEA bylaws and files articles of incorporation.

## May 1997

- *Institutional Eligibility and Recognition Policy* adopted by board of directors.
- Task Force on Recognition formed to develop CHEA recognition policy.

## August 1997

- Dr. Judith S. Eaton named CHEA's first president.

## September – December 1997

- CHEA conducts national survey of degree-granting institutions, higher education associations and accrediting organizations to learn of priorities for CHEA and for accreditation.

## September 1998

- Board of directors adopts the CHEA *Recognition Policy and Procedures*.
- Mediation process is released.

## January 1999

- Members of committee on recognition appointed by board of directors.

## January 2000

- *Advisory Statement on Good Practices and Shared Responsibility in the Conduct of Specialized and Professional Accreditation Review* adopted.

## November 2000

- *Advisory Statement to the Community: Transfer and the Public Interest* released.

## May 2001

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

## September 2001

- *Advisory Statement on Good Practices and Shared Responsibility in the Creation and Application of Specialized Accreditation Standards* adopted.
- *Principles for United States Accreditors Working Internationally: Accreditation of Non-United States Institutions and Programs* adopted.
- International Commission formed.

## May 2002

- *A Framework for Meeting Transfer of Credit Responsibilities* released.

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# Key Dates in the History of CHEA

## January – April 2003

- CHEA conducts second national survey of degree-granting institutions, higher education associations and accrediting organizations to evaluate CHEA performance, identify primary accreditation issues to be addressed in the future and solicit views on accreditation.

## May 2003

- CHEA *Database of Institutions Accredited by Recognized U.S. Accreditors* launched.

## September 2003

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

## January 2004

- Work begins on review and revision of CHEA *Recognition Policy and Procedures*.

## May 2004

- CHEA recognition of 60 accrediting organizations complete.

## January 2005

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

## May 2005

- CHEA *Database of Institutions and Programs Accredited by Recognized U.S. Accrediting Organizations* of more than 7,000 accredited institutions expanded to include 17,000 accredited programs.

## November 2005

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

## January 2006

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

## January 2007

- 2007 CHEA *Agenda for Reauthorization of the Higher Education Act* approved by board of directors.

## February 2007

- *Advisory Statement on Combating Site-Based and Distance-Based Degree Mills – Suggestions for Effective Practice* issued.

## January 2008

- *New Leadership for Student Learning and Accountability* published (with Association of American Colleges and Universities).

## May 2008

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

## September 2008

- *CHEA Initiative* launched.

## June 2009

- *Toward Effective Practice: Discouraging Degree Mills in Higher Education* issued by CHEA and the United Nations Educational, Scientific and Cultural Organization (UNESCO).

*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 59 institutional and programmatic accrediting organizations.*

## **CHEA**

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