

- b. [REDACTED]
In its submission of the MESA checklist, the institution indicated that it had an adverse action. Additional information has been requested but not yet received.

3. Fully Online Institutions

Section 1-2-100(d) makes provisions for the Council's consideration of fully online institutions on a case-by-case basis as long as there is a residential component.

- a. [REDACTED]
The institution has roots in Venezuela and locations in Spain and Mexico. It has been in existence for a number of years with a proven track record in online education. The EC was informed that staff would conduct a preliminary diagnostic visit to get a better assessment of the institution's operations and ability to demonstrate its residential component. This visit would precede the Council's consideration of an invitation. It would also provide the Council with information on the innovations in online instruction that may not yet know.

- b. [REDACTED]
In addition to being international, the Universidad in Monterrey has a full online branch – [REDACTED]. The main campus in MX offer both residential and online instruction. Staff informed the EC that a preliminary visit would also need to be conducted for the international institution which would include a meeting with the appropriate oversight agency.

4. International Institutions (state/government authority)

- a. [REDACTED] Madrid, Spain

The institution, like many private institutions in Europe, do not have "approval" to operate. This is similar to Niels Brock and a review would inform the Council as it considers revision to that criterion. A preliminary visit has been scheduled to assess the following:

- a) Meeting with representatives of the appropriate authorizing or approving body, which has oversight of the institution's higher education activities. The institution is responsible for facilitating this meeting to provide ACICS with an opportunity to learn about the higher education process in Spain, as well as to share information about the ACICS accreditation process.
- b) Meeting with institutional leadership, including chairperson of any boards at the institution. An overview of the education system and any higher education accreditation/quality assurance process should also be provided at this meeting.

- c) Meeting with the accreditation team which will be tasked with facilitating and spearheading the institution's application to ACICS. This team will be responsible for providing ACICS with an overview of the compliance systems currently in place as well as the mechanisms to accommodate the ACICS evaluation process.
- d) A tour of the institution and any other associated locations to be included in the application for initial accreditation.
- e) Discussion on any laws, regulations, or country-specific educational/cultural practices that may hinder or affect the institution's ability to meet the standards of the ACICS *Accreditation Criteria*. This may include, but is not limited to, standardized Country-directed curriculum, faculty credentialing and employment, distance education oversight, data protection and privacy laws, interactions with graduates and employers, etc.

Reinstatement of Accreditation Review

Institutional Information and Background

Name:	<i>Houstons Training and Education Center (H-TEC)</i>	Grant Expiration:	<i>December 31, 2019</i>
		Date of Withdrawal:	<i>August 3, 2018</i>
Alternative Accreditation:	None	Status:	N/A
Complaints (RISK Assessment):	None		
Fees:	2018 - 2019 Fees would have been due in October 2018		
Institutional Summary:	<p><i>Even during its accreditation tenure, which was short, with ACICS, the institution has always been small as it serves a very disadvantaged population. Enrollment hovered around 10 students with even smaller numbers completing. The institution was previously on SA Show-Cause as a result of these small numbers.</i></p> <p><i>H-TEC voluntarily withdrew in 2018 to focus on meeting the needs of its students and staff, as shared by the director and owner. The institution does not participate in Financial Aid</i></p>		

Submission Review and Analysis

Program Information

Program Name as approved	Credential Awarded	Status	Current Enrollment
Network and Computer Systems Administrators	Certificate	Active	3
HVAC/R	Certificate	Active	0

Financial Review

The institution has no points. Their current ratio is 7.2:1; however their current assets are comprised of only [REDACTED] cash and Accounts Receivable of [REDACTED]. Although their net income is positive as of December 31, 2017, it is only [REDACTED]

Financial Concerns:

1. [REDACTED]
2. The other note is to the U.S. Department of Education in the amount of \$112,000. They entered into a payment agreement with the U.S. Department of Education in September, 2017.

Whereas the interest rate of both notes is only [REDACTED]

3. [REDACTED]

Student Achievement Outcomes

The institution withdrew prior to the submission of the 2018 Campus Accountability Report (CAR). Hence, the two program spreadsheets were submitted:

1. HVAC-R – there were no students during the 2018 period
2. NCSA – 71% retention and 0% placement. Of the 7 students enrolled during that period, 2 withdrew and 4 graduated. Of the 4 graduates, 2 continued their education and the 2 that were eligible for placements are not placed.

While the small enrollment is a mitigating factor, this will likely be an ongoing “mitigation” for the institution, limiting the Council’s ability to evaluate its effectiveness.

Ownership Structure

No change.

Recommendation

___ Approve the institution’s request for reinstatement

___ Request the following additional information and defer action:

___ Deny the institution’s request for reinstatement



Executive Committee Minutes
June 19, 2019
10:00 am

Board Members Present:

Chair Bennett
Vice Chair Hobdy
Treasurer Leak
Secretary Loveman
President Edwards

Board Members Absent:

None

1. Substantive Changes

See Substantive Change Minutes for Actions Taken

2. Old Business

None

3. New Business

a. Update regarding relocation:

Discussion regarding the cost savings associated with the move to a smaller office space, coupled with savings from updated phone systems and changes to our IT infrastructure. Additionally, the agency will recognize savings annually as they move to a different hotel for Council and IRC meetings.

b. Niels Brock Pilot Program Discussion:

The EC reviewed a plan for Niels Brock to offer a pilot program that is a non-credit short-term program. The program is similar to their other Vocational Education Training (VET) programs in that, while above 300 hours, a significant portion of the time is spent in the work environment (their current jobs) and completion may or may not take place within the US-defined timeframe. While approval wouldn't necessarily be needed, the institution is seeking to inform the Council. The EC requested to see communication between Niels Brock and the Ministry concerning this pilot, for the record.

c. VIU Consent Agreement with SCHEV discussion:

The resolution determined by senior SCHEV staff at the conclusion of VIU's Informal Fact-Finding Conference (IFFC) was a consent agreement between the two parties. The EC reviewed the consent agreement and determined it was most appropriate **to take no further action and to review the**



institution's response to the Show-Cause directive at their next Council meeting scheduled in August 2019. The Committee agreed that the language in the continued show-cause directive is sufficient to obtain information about the institution's distance education activities, consistent with the terms of the consent agreement.

Motion: Loveman
Second: Hobdy
Passed

d. Premiere International College Extenuating Circumstances:

The EC discussed the request by the institution for special consideration in light of their pending application with ACEN for the required programmatic accreditation. The institution, as with all nursing programs in Florida, must have secured programmatic accreditation by July 1, 2019, and be in full compliance with their institutional accreditor. The institution was placed on compliance Warning in April 2019 as a result of the Council's review of its renewal of accreditation application and response with two remaining areas of non-compliance. With the CW by ACICS, ACEN has asked the institution to submit a substantive change report even though accreditation had not yet been achieved. However, the institution had received a recommendation for approval from the site review team and the review panel. Staff was waiting to speak with Dr. Nell Ard at ACEN for additional information and clarification concerning its request from the institution and ACICS' ability to provide special consideration outside its normal process of review.

e. FY 2020 Final Budget approval:

At a special meeting of the Board of Directors in May 2019, the Board voted to increase the budget lines for legal fees from \$220,000 to \$500,000 after review of the past 5 years of expenditures. The EC reviewed the changes made to the budget and **voted to approve the FY 2020 budget as amended.**

Motion: Loveman
Second: Leak
Passed

f. Financials:

The EC reviewed the financials to date. May 2019 will be closed and posted by the end of the week. The EC also discussed the investment account portfolio as it will be utilized through FY 2023 to supplement operating expenses for the agency.

**ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS
2018/2019
Unaudited**

FY2019

Revenue		
Sustaining Fees		1,268,888
Less Sustaining Fee Discounts		0
4190 - Change of Mission Statement		900
4193 - Agreements With Other Entities		500
4194 - Program Start Date Extension		7,500
4205 - Branch Campus Application		2,500
4206 - Branch to Main Campus		15,000
4210 - Application - Learning Site		3,000
4220 - Renewal of Accreditation Fee		103,500
4226 - Renewal - Per Program Fee		41,250
4227 - Renewal - Learning Site Fee		2,000
4230 - Change of Ownership Fee-Ma		5,000
4231 - Change of Ownership Fee-Non M		4,000
4235 - Change of Name Fee		1,200
4236 - Change of Location Fee		3,600
4237 - Subs Chg to Existing Program		50,000
4239 - Non-Sub Program Modification		70,000
4240 - New Program App Fee		91,000
4242 - Distance Education Appl. Fee		20,000
4245 - Review Board Appeal Fee		20,000
4247 - Reassignment and Consolidation		2,000
4248 - Non-Credit Short Term Prog		3,000
4249 - Clock to Credit Hr Conv Fee		9,000
4260 - Hearing in Person		10,000
4265 - Hearing in Writing		20,000
4700 - Late Fees		20,000
4705 - CAR Fees		30,000
4707 - Appeal - CAR Revision		30,000
User Fees		564,950
Accreditation Visit Revenue		1,511,400
Less Visit Discounts		0
4410 - Exhibitor Registration		50,000
4415 - Attendee Registration		25,000
4540 - Wrkshp- Initial Accreditation		15,840
4550 - Wrkshp-Renewal Accreditation		46,020
Workshop Registration Fees		136,860
Total Revenue		3,482,098
Expenses		
5000 - Salaries & Wages		1,166,189
5030 - Retirement Plan		68,159
5040 - Health Insurance		204,192
5050 - Life Insurance		8,453
5060 - Dental Insurance		14,172
5070 - Payroll Taxes		214,119

**ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS
2018/2019
Unaudited**

		FY2019
	5080 - State Unemployment Insuran	2,000
	Salaries and benefits	1,677,284
	5010 - Staff Support	168,563
	5090 - Gifts & Awards	
	5100 - Printing	16,061
	5210 - Postage	50
	5220 - Shipping	1,000
	5310 - Telephone - Mobile	5,638
	5320 - Telephone	41,961
	5400 - Equipment Maintenance/Repa	41
	5420 - Equipment Leasing	34,996
	5430 - Office Supplies	2,097
	5431 - Office Maintenance	200
	5510 - General Insurance	150,251
	5520 - Taxes - Other	1,000
	5660 - Miscellaneous	15,035
	5700 - Bad Debts	12,490
	5710 - American Express Merchant	5,945
	5725 - Bank Fees	176,082
	5950 - Computer Maintenance & Fee	200,004
	6101 - Non-Staff Travel Expense	(3,872)
	6710 - Dues & Subscriptions	4,074
	6740 - Public Relations	60,000
	6755 - Principal fees	33,001
	6800 - Technology Consulting Support	71,990
	Administration	996,607
	6610 - Legal Fees	105,262
	6620 - Accounting & Audit	46,587
	5825 - Taxi	
	6728 - Recognition Petition - Legal	15,484
	Recognition Petition	15,484
	6250 - Annual Meeting	400,750
	6225 - February Policy Meeting	25,000
	5836 - Cash Tips	
	5845 - Chair Honorarium	
	6210 - August Meeting	19,668
	5835 - Parking	
	IRC July	9,326
	5820 - Meals	
	5825 - Taxi	
	5836 - Cash Tips	
	Board Of Directors	127
	Miscellaneous Meetings	0
	Professional Development Meeting	0
	Committee Expense	0
	6190 - Review Board	
	Review Board	0

**ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS
2018/2019
Unaudited**

		FY2019
	Strategic Planning Meeting	0
	5837 - Materials	
	5820 - Meals	
	5810 - Mileage	
	5846 - Non-Chair Honorarium	
	5840 - Other/Tolls	
	5835 - Parking	
	5830 - Rental Car	
	5825 - Taxi	
	5802 - Train	
	Accreditation Visit Expense	756,300
	6430 - Workshop Exp: Accred	13,340
	Total Expenses	4,816,512
	Change in Net Assets Before Other Revenue (Expenses)	(1,334,414)
	4617 - █████ Investment Income	█████
	4645 - █████ Realized Gain/Loss	█████
	█████	█████
	4646 - █████ Unrealized Gain/Loss	█████
	B █████ Unrealized Gain/(Loss)	(█████)
	█████	█████
	Investment Fees	█████)
	Interest Income	0
	5450 - Depreciation-Furn & Equip	(413,590)
	Miscellaneous Income	10,362
	Gain (Loss) on disposal of property and equipment	0
	Total Other Revenue (Expenses)	(259,267)
	Change in Net Assets	(1,593,681)
	Net Assets	
	3100 - Net Assets	13,128,748
	3999 - Change in Net Assets	0
	Beginning of Period	13,128,748
	End of Period	11,535,067



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December 1, 2017

Management
Accrediting Council for Independent Colleges and Schools
Washington, D.C.

RE: BUSINESS ADVISORY LETTER

We have audited the financial statements of Accrediting Council for Independent Colleges and Schools as of and for the year ended June 30, 2017. In connection with our audit, the following matters came to our attention which we believe will be of interest to you. The matters are observations only and do not represent significant deficiencies or material weaknesses in your system of internal control that would have impacted our audit scope.

CURRENT YEAR OBSERVATIONS

Review of accounts receivable at year-end - During our testing of accounts receivable, we noted two invoices that were cancelled shortly after year-end and should have been removed from the receivables schedule. Since the amount was immaterial and the accounts were adjusted in the following fiscal year, an adjustment to the current financial statements was not considered necessary. We would simply recommend that the year-end process include a detailed review of subsequent events that affect the year-end balances. We are pleased to observe that there has been a significant improvement in review of the aging receivables compared to previous years. Adding this step will further assist in keeping the receivables as accurate as possible.

Classification of travel expenses - We noted that travel expenses that were accumulated through Concur were not allocated to the appropriate meeting and staff expenses. As this does not affect the changes in net assets there is no net effect to the financial statements. However, we do recommend that the expenses be reviewed monthly and annually to ensure they are appropriately recorded to the relevant category. We discussed this with management and staff and they have already implemented procedures to correct this going forward.

Payroll templates - Several accrued compensation balances are calculated via manual entry spreadsheets. We determined minor miscalculations in vacation accrual and eligible salary for determining pension contributions for partial year employees. We would recommend automating as much of this process as possible to reduce the risk of human error. When determining eligible annual salary for pension contribution, we would suggest reviewing all employees whose eligibility date falls within the current fiscal year as that is the indicator that compensation should be prorated prior to calculating the employer contribution. We raised these suggestions to management and they are already in process to correct for this.

* * * * *

We would like to express our appreciation to Steven Gelfound and the rest of the accounting team for their assistance during our audit. If you should have any questions, please feel free to contact us.

Sincerely,

(b)(6)

(b)(6)

Councilor, Buchanan & Mitchell, P.C.





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Independent Auditors' Report

To the Board of Directors
Accrediting Council for Independent Colleges and Schools

We have audited the accompanying financial statements of Accrediting Council for Independent Colleges and Schools (ACICS) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Accrediting Council for Independent Colleges and Schools as of June 30, 2017, and the change in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



To the Board of Directors
Accrediting Council for Independent Colleges and Schools

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Accrediting Council for Independent Colleges and Schools' 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

(b)(6) (b)(6)

Bethesda, Maryland
December 1, 2017

Certified Public Accountants



**ACCREDITING COUNCIL FOR INDEPENDENT
COLLEGES AND SCHOOLS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2017

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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JUNE 30, 2017

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ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2017
 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2016)

Assets	2017	2016
Current Assets		
Cash and Cash Equivalents	\$ 1,163,823	\$ 1,207,177
Accounts Receivable, Net	105,330	1,363,147
Prepaid Expenses	<u>259,090</u>	<u>313,491</u>
Total Current Assets	1,528,243	2,883,815
Investments	12,146,205	12,452,200
Property and Equipment, Net	1,649,460	1,926,623
Other Assets		
Deposits	<u>11,273</u>	<u>11,273</u>
Total Assets	<u><u>\$ 15,335,181</u></u>	<u><u>\$ 17,273,911</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 420,089	\$ 633,756
Accrued Compensation	292,479	792,151
Deferred Revenue	<u>18,030</u>	<u>53,297</u>
Total Current Liabilities	730,598	1,479,204
Long-Term Liabilities		
Accrued Rent, Noncurrent Portion	<u>17,083</u>	<u>82,016</u>
Total Liabilities	747,681	1,561,220
Net Assets		
Unrestricted	<u>14,587,500</u>	<u>15,712,691</u>
Total Liabilities and Net Assets	<u><u>\$ 15,335,181</u></u>	<u><u>\$ 17,273,911</u></u>

See accompanying Notes to Financial Statements.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2017
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	<u>2017</u>	<u>2016</u>
Support and Revenue		
Sustaining Fees	\$ 3,565,703	\$ 4,590,228
Accreditation Visits	1,547,958	3,559,010
User Fees	2,304,318	2,889,700
Workshop Registration Fees	76,940	637,280
Investment Income (Loss)	1,274,982	(175,467)
Other Revenue	14,934	47,029
	<u>8,784,835</u>	<u>11,547,780</u>
Expenses		
Program Services		
Accreditation Expense	3,378,338	5,747,158
Education	2,254,778	3,148,461
Supporting Services		
Management and General	4,276,910	3,916,636
	<u>9,910,026</u>	<u>12,812,255</u>
Change in Unrestricted Net Assets	(1,125,191)	(1,264,475)
Net Assets, Beginning of Year	<u>15,712,691</u>	<u>16,977,166</u>
Net Assets, End of Year	<u>\$ 14,587,500</u>	<u>\$ 15,712,691</u>

See accompanying Notes to Financial Statements.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2017
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

	2017	2016
Cash Flows from Operating Activities		
Change in Unrestricted Net Assets	\$ (1,125,191)	\$ (1,264,475)
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Used in Operating Activities		
Depreciation	644,827	808,346
(Gain) Loss on Investments	(1,274,982)	175,467
(Gain) Loss on Disposal of Property and Equipment	384	16,096
(Increase) Decrease in Assets		
Accounts Receivable	1,257,817	74,290
Prepaid Expenses	54,401	(206,150)
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(213,667)	(42,647)
Accrued Compensation	(499,672)	(97,666)
Deferred Revenue	(35,267)	(36,053)
Accrued Rent	(64,933)	(50,392)
Net Cash Used in Operating Activities	<u>(1,256,283)</u>	<u>(623,184)</u>
Cash Flows from Investing Activities		
Purchases of Investments	(3,158,469)	(2,784,400)
Sales of Investments	4,739,446	3,873,179
Purchases of Furniture and Equipment	<u>(368,048)</u>	<u>(795,594)</u>
Net Cash Provided by Investing Activities	<u>1,212,929</u>	<u>293,185</u>
Net Decrease in Cash and Cash Equivalents	(43,354)	(329,999)
Cash and Cash Equivalents, Beginning of Year	<u>1,207,177</u>	<u>1,537,176</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,163,823</u></u>	<u><u>\$ 1,207,177</u></u>

See accompanying Notes to Financial Statements.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. ORGANIZATION

Accrediting Council for Independent Colleges and Schools (ACICS) was founded in 1912 to establish and advance the quality of education of independent, non-public career schools, career institutions, and colleges. ACICS accomplishes these objectives by performing the accreditation function for its members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows accounting principles generally accepted in the United States of America in relation to net asset classification. ACICS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are no temporarily or permanently restricted net assets at June 30, 2017.

Cash and Cash Equivalents

ACICS considers all short-term, highly liquid investments with initial maturities of three months or less to be cash equivalents. Since all such cash equivalents are contained in ACICS's investment portfolio and are not used in current operations, they are reported as investments.

Accounts Receivable

Accounts receivable includes program related revenue that has not been received as of June 30, 2017. No interest is accrued on receivables. Accounts receivables are reported at their unpaid balances, reduced by an allowance for doubtful accounts, if necessary. As of June 30, 2017, management does not believe doubtful accounts are significant, and no allowance has been reflected in the financial statements. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms.

Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering ACICS's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect the client's ability to pay, and current economic conditions.

The allowance for doubtful accounts is increased by charges to bad debts expense and decreased by charge offs of the accounts receivable balances. Accounts receivable are considered past due based on management's determination. Accounts receivable are reduced based on management's case-by-case determination that they are uncollectible.

Investments

ACICS invests in a professionally managed portfolio. All investments are carried at fair value. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the financial statements.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Realized and unrealized gains and losses are reported as investment income in the statement of activities and changes in net assets.

Property and Equipment

Property and equipment are recorded at cost. All acquisitions in excess of \$1,000 are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Artwork is not considered a collection and is a non-depreciable asset. Property and equipment are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in income.

Revenue Recognition

Sustaining fees are recognized in the year to which they apply. Sustaining fees received in advance are recorded as deferred revenue and are recognized in subsequent periods when they are earned.

User fees are charged to cover the administrative costs of processing forms and are recognized when the forms have been processed.

Substantially all receivables are derived from institutions that ACICS accredits. All receivables to these institutions are made on an unsecured basis. Historically, ACICS has not incurred significant credit related losses.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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 period. Actual results could differ from those estimates.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Information as of June 30, 2016

The financial information as of June 30, 2016, is presented in the statement of financial position, statement of activities and changes in net assets, and statement of cash flows for comparative purposes only and is not intended to represent complete financial statement presentation.

Advertising Costs

ACICS expenses advertising costs as they are incurred.

Income Taxes and Uncertainty in Income Taxes

ACICS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization that is not a private foundation. ACICS is, however, subject to income tax on any net profits generated by unrelated business activities as defined under the tax laws. To date, ACICS has not engaged in such activities. As of June 30, 2017, ACICS's information returns filed with the Internal Revenue Service remain open for examination generally for three years after they were filed.

ACICS follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Examples of tax positions include the tax-exempt status of ACICS and various positions related to the potential sources of unrelated business taxable income (UBTI). As of June 30, 2017, ACICS had no uncertain tax positions that qualified for either recognition of an unrecognized tax benefit or disclosure in its financial statements.

ACICS's policy is to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during the year ended June 30, 2017.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on net assets or changes in net assets.

3. CONCENTRATION OF CREDIT RISK

ACICS maintains its cash balances at one financial institution in the Washington, D.C., area. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2017, the uninsured balance for all cash accounts was approximately \$958,000.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

3. CONCENTRATION OF CREDIT RISK (CONTINUED)

ACICS maintains its investments at one financial institution in the Washington, D.C., area. The cash equivalents and certificates of deposit held at this institution are insured by the FDIC up to \$250,000. At June 30, 2017, there was no uninsured balance for these cash equivalents and certificates of deposit. All other investments held in this institution are insured by the Securities Investor Protection Corporation (SIPC) for up to \$500,000. At June 30, 2017, the uninsured balance for these investments was approximately \$11,463,000.

4. PROPERTY AND EQUIPMENT

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

Furniture and Fixtures	\$ 4,563,878
Leasehold Improvements	555,877
Artwork	4,006
	<u>5,123,761</u>
Less Accumulated Depreciation and Amortization	<u>(3,474,301)</u>
	<u><u>\$ 1,649,460</u></u>

Depreciation and amortization expense was \$644,827 for the year ended June 30, 2017.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

ACICS's investments constitute its only assets or liabilities measured at fair value on a recurring basis as of June 30, 2017. These investments and their fair value measurements are summarized below:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Cash and Short-Term Investments	\$ 183,614	\$ 183,614	\$ -	\$ -
Corporate Bonds	3,450,833	-	3,450,833	-
Corporate Bond Mutual Funds	1,045,732	1,045,732	-	-
U.S. Equities	4,002,794	4,002,794	-	-
U.S. Equity Mutual Funds	1,452,552	1,452,552	-	-
International Equities	2,010,680	2,010,680	-	-
	<u>\$ 12,146,205</u>	<u>\$ 8,695,372</u>	<u>\$ 3,450,833</u>	<u>\$ -</u>

Accounting principles generally accepted in the United States of America provide a common definition of fair value, establish a framework for measure of fair value and expand disclosures about fair value measurements, but do not require any new fair value measurements.

All assets and liabilities required to be measured at fair value by these accounting principles have been assessed with the following three-tier hierarchy of inputs:

Financial assets measured using Level 1 inputs are based on unadjusted quoted market prices in active markets for identical assets.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 inputs, if any, include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from observable market data.

Level 3 inputs, if any, are obtained from ACICS's own assumptions.

Investment income consisted of the following for the year ended June 30, 2017:

Interest and Dividends	\$ 271,484
Realized Gains	506,417
Unrealized Gains	<u>497,081</u>
Net Investment Income	<u>\$ 1,274,982</u>

ACICS incurred investment fees of approximately \$80,000 for the year ended June 30, 2017.

6. COMMITMENTS AND CONTINGENCIES

ACICS leases office space in Washington, D.C., which was amended in June 2017 to terminate part of the space and extend the agreement through December 31, 2018. Minimum monthly rent is currently \$37,948. The total of all rental payments due under the lease are being recognized on a straight-line basis in the statement of activities and changes in net assets. Accordingly, there is a liability recorded for accrued rent equal to the difference between the rent expense and the actual cash payments required by the lease.

The following is a schedule of future minimum lease payments as of June 30, 2017:

For the Years Ending June 30,

2018	\$ 486,896
2019	<u>224,635</u>
	<u>\$ 711,531</u>

The total expense incurred under all operating leases during the year ended June 30, 2017, was \$820,086.

ACICS has contracted various consultants and insurance providers. ACICS is obligated to pay fees for these relationships. ACICS had an employment contract with its Interim President which expired on July 31, 2017. An agreement was signed with a new President on June 30, 2017, for a three-year term commencing on July 31, 2017, and concluding on July 30, 2020.

7. PENSION PLANS

ACICS has a defined contribution pension plan, ACICS retirement/savings plan, as regulated by the Internal Revenue Service Code 401(a). Employees become eligible after one year of service, and become 25% vested for every year of employment. Contributions to the Plan are discretionary and ACICS contributed 5% of eligible employees' salaries. \$108,650 was contributed for the year ended June 30, 2017. ACICS's employees are also eligible to participate in a 403(b) tax deferred annuity plan through which they can defer a portion of their annual salary. These voluntary contributions immediately vest to the employees.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

8. ACCREDITATION AUTHORITY

ACICS was recognized as an accrediting body through July 2016. ACICS was notified in September 2016 that the Senior Department Official at the U.S. Department of Education had accepted the recommendation of the Department of Education staff and the National Advisory Committee on Institutional Quality and Integrity (NACIQI) to deny renewal of recognition to ACICS.

ACICS appealed the decision and was notified in December 2016 that the Department Education denied the appeal. ACICS immediately filed litigation seeking injunctive and other relief through the courts. As of June 2017, all legal briefs have been filed with the U.S. District Court. A decision from the Court is expected over the following months unless the case is resolved in some other manner before the Court issues its decision.

9. SUBSEQUENT EVENTS

ACICS has evaluated subsequent events through December 1, 2017, the date on which the financial statements were available to be issued.

On October 1, 2017, ACICS submitted a formal petition for initial recognition as a national accreditor to the U.S. Department of Education.

SUPPLEMENTARY INFORMATION

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services		Supporting Services	Total
	Accreditation Expense	Education	Management and General	
Salaries and Benefits	\$ 1,197,725	\$ 1,129,283	\$ 1,095,063	\$ 3,422,071
Travel and Meals	1,010,934	-	-	1,010,934
Depreciation	225,689	212,793	206,345	644,827
Occupancy	267,304	252,029	244,392	763,725
Professional Fees	165,309	155,863	151,139	472,311
Meetings	213,885	201,663	195,552	611,100
Legal and Accounting	-	-	1,591,108	1,591,108
Interest and Fees	-	-	310,595	310,595
Payroll Taxes	72,402	68,264	66,196	206,862
Computers	114,709	108,155	104,877	327,741
Utilities	30,371	28,636	27,766	86,773
Workshops	-	22,655	-	22,655
Bad Debt Expense	-	-	210,449	210,449
Training	13,557	12,782	12,394	38,733
Office Supplies	6,950	6,552	6,354	19,856
Equipment Rentals and Maintenance	22,338	21,061	20,423	63,822
Insurance	26,570	25,052	24,293	75,915
Miscellaneous	3,125	2,946	2,857	8,928
Dues and Subscriptions	1,784	1,682	1,631	5,097
Printing and Postage	5,686	5,362	5,199	16,247
Advertising	-	-	277	277
	<u>\$ 3,378,338</u>	<u>\$ 2,254,778</u>	<u>\$ 4,276,910</u>	<u>\$ 9,910,026</u>



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December 3, 2018

Management
Accrediting Council for Independent Colleges and Schools
Washington, D.C.

RE: BUSINESS ADVISORY LETTER

We have audited the financial statements of Accrediting Council for Independent Colleges and Schools as of and for the year ended June 30, 2018. In connection with our audit, the following matters came to our attention during the prior year's audit. We want to take this opportunity to provide updates on the status of these recommendations over the past year. The matters are observations only and do not represent significant deficiencies or material weaknesses in your system of internal control that would have impacted our audit scope.

PRIOR YEAR OBSERVATIONS

Review of accounts receivable at year-end - During our testing of accounts receivable, we noted two invoices that were cancelled shortly after year-end and should have been removed from the receivables schedule. Since the amount was immaterial and the accounts were adjusted in the following fiscal year, an adjustment to the current financial statements was not considered necessary. We would simply recommend that the year-end process include a detailed review of subsequent events that affect the year-end balances. We are pleased to observe that there has been a significant improvement in review of the aging receivables compared to previous years. Adding this step will further assist in keeping the receivables as accurate as possible.

Current year update - We are pleased to report that our review of accounts receivable during the current year's audit did not find any repeat occurrence of this issue. The team appears to be reviewing the receivables on a consistent basis for completeness and accuracy.

Classification of travel expenses - We noted that travel expenses that were accumulated through Concur were not allocated to the appropriate meeting and staff expenses. As this does not affect the changes in net assets there is no net effect to the financial statements. However, we do recommend that the expenses be reviewed monthly and annually to ensure they are appropriately recorded to the relevant category. We discussed this with management and staff and they have already implemented procedures to correct this going forward.

Current year update - We noted that new procedures are correctly capturing and allocating the travel costs to the appropriate expense categories.

Payroll templates - Several accrued compensation balances are calculated via manual entry spreadsheets. We determined minor miscalculations in vacation accrual and eligible salary for determining pension contributions for partial year employees. We would recommend automating as much of this process as possible to reduce the risk of human error. When determining eligible annual salary for pension contribution, we would suggest reviewing all employees whose eligibility date falls within the current fiscal year as that is the indicator that compensation should be prorated prior to

calculating the employer contribution. We raised these suggestions to management and they are already in process to correct for this.

Current year update - The errors noted in prior year's audit were corrected and we noted no repeat miscalculations during the current year audit. We are also made aware that appropriate levels of management are reviewing the calculations for accuracy. We would still recommend automating as much of this as possible to reduce risk of human error.

* * * * *

We would like to express our appreciation to Steven Gelfound and the rest of the accounting team for their assistance during our audit. If you should have any questions, please feel free to contact us.

Sincerely,

(b)(6) (b)(6)

Councilor, Buchanan & Mitchell, P.C.



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December 3, 2018

To the Board of Directors
Accrediting Council for Independent Colleges and Schools

We have audited the financial statements of Accrediting Council for Independent Colleges and Schools (ACICS) for the year ended June 30, 2018, and have issued our report thereon dated December 3, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2018 and in subsequent discussions. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by ACICS are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by ACICS during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the fair value of the investment portfolio is based on the year end statements from the financial institutions that hold the investments. The prices for most securities are obtained from independent quotations services whose appraisals are based on closing prices and bid-ask quotations or other calculations using information from both independent and internal sources. Due to the extreme volume and volatility impacting the various equity and debt markers, the current market value reflected in the statements may not be reflective of actual market prices.
- Management's estimate of the collectability of accounts receivable is based on ACICS's past collection history and current economic conditions.
- Management's allocation of expenses to program and management and general accounts is based on overall staff time charged to certain departments.
- Management's estimate of the depreciation expense is based on the estimated useful lives of the property and equipment.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 3, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to ACICS's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as ACICS's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and

To the Board of Directors
Accrediting Council for Independent Colleges and Schools
December 3, 2018
Page 3

reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors of ACICS and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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Councilor, Buchanan & Mitchell, P.C.



**ACCREDITING COUNCIL FOR INDEPENDENT
COLLEGES AND SCHOOLS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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JUNE 30, 2018

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Independent Auditors' Report

To the Board of Directors
Accrediting Council for Independent Colleges and Schools

We have audited the accompanying financial statements of Accrediting Council for Independent Colleges and Schools (ACICS) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Accrediting Council for Independent Colleges and Schools as of June 30, 2018, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Accrediting Council for Independent Colleges and Schools

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Accrediting Council for Independent Colleges and Schools' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

(b)(6) (b)(6)

Certified Public Accountants

Bethesda, Maryland
December 3, 2018

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2018
 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)

Assets	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and Cash Equivalents	\$ 694,808	\$ 1,163,823
Accounts Receivable, Net	17,205	105,330
Prepaid Expenses	<u>257,543</u>	<u>259,090</u>
Total Current Assets	969,556	1,528,243
Investments	11,322,496	12,146,205
Property and Equipment, Net	1,337,933	1,649,460
Other Assets		
Deposits	<u>11,273</u>	<u>11,273</u>
Total Assets	<u><u>\$ 13,641,258</u></u>	<u><u>\$ 15,335,181</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 284,237	\$ 420,089
Accrued Compensation	193,350	292,479
Deferred Revenue	31,270	18,030
Deferred Rent, Current Portion	<u>3,647</u>	<u>13,436</u>
Total Current Liabilities	512,504	744,034
Long-Term Liabilities		
Deferred Rent, Noncurrent Portion	<u>-</u>	<u>3,647</u>
Total Liabilities	512,504	747,681
Net Assets		
Unrestricted	<u>13,128,754</u>	<u>14,587,500</u>
Total Liabilities and Net Assets	<u><u>\$ 13,641,258</u></u>	<u><u>\$ 15,335,181</u></u>

See accompanying Notes to Financial Statements.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	<u>2018</u>	<u>2017</u>
Support and Revenue		
Sustaining Fees	\$ 2,749,517	\$ 3,565,703
Accreditation Visits	627,200	1,547,958
User Fees	569,100	2,304,318
Workshop Registration Fees	11,800	76,940
Investment Income	755,167	1,274,982
Other Revenue	<u>22,894</u>	<u>14,934</u>
Total Support and Revenue	<u>4,735,678</u>	<u>8,784,835</u>
Expenses		
Program Services		
Accreditation Expense	1,861,918	3,378,338
Education	1,379,884	2,254,778
Supporting Services		
Management and General	<u>2,952,622</u>	<u>4,276,910</u>
Total Expenses	<u>6,194,424</u>	<u>9,910,026</u>
Change in Unrestricted Net Assets	(1,458,746)	(1,125,191)
Net Assets, Beginning of Year	<u>14,587,500</u>	<u>15,712,691</u>
Net Assets, End of Year	<u>\$ 13,128,754</u>	<u>\$ 14,587,500</u>

See accompanying Notes to Financial Statements.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Unrestricted Net Assets	\$ (1,458,746)	\$ (1,125,191)
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Used in Operating Activities		
Depreciation	495,135	644,827
Gain on Investments	(755,167)	(1,274,982)
Loss on Disposal of Property and Equipment	-	384
<u>Decrease in Assets</u>		
Accounts Receivable	88,125	1,257,817
Prepaid Expenses	1,547	54,401
<u>(Decrease) Increase in Liabilities</u>		
Accounts Payable and Accrued Expenses	(135,852)	(213,667)
Accrued Compensation	(99,129)	(499,672)
Deferred Revenue	13,240	(35,267)
Deferred Rent	(13,436)	(64,933)
Net Cash Used in Operating Activities	<u>(1,864,283)</u>	<u>(1,256,283)</u>
Cash Flows from Investing Activities		
Purchases of Investments	(2,602,594)	(3,158,469)
Sales of Investments	4,181,470	4,739,446
Purchases of Furniture and Equipment	(183,608)	(368,048)
Net Cash Provided by Investing Activities	<u>1,395,268</u>	<u>1,212,929</u>
Net Decrease in Cash and Cash Equivalents	(469,015)	(43,354)
Cash and Cash Equivalents, Beginning of Year	<u>1,163,823</u>	<u>1,207,177</u>
Cash and Cash Equivalents, End of Year	<u>\$ 694,808</u>	<u>\$ 1,163,823</u>

See accompanying Notes to Financial Statements.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. ORGANIZATION

Accrediting Council for Independent Colleges and Schools (ACICS) was founded in 1912 to establish and advance the quality of education of independent, non-public career schools, career institutions, and colleges. ACICS accomplishes these objectives by performing the accreditation function for its members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows accounting principles generally accepted in the United States of America in relation to net asset classification. ACICS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are no temporarily or permanently restricted net assets at June 30, 2018.

Cash and Cash Equivalents

ACICS considers all short-term, highly liquid investments with initial maturities of three months or less to be cash equivalents. Since all such cash equivalents are contained in ACICS's investment portfolio and are not used in current operations, they are reported as investments.

Accounts Receivable

Accounts receivable includes program related revenue that has not been received as of June 30, 2018. No interest is accrued on receivables. Accounts receivables are reported at their unpaid balances, reduced by an allowance for doubtful accounts, if necessary. As of June 30, 2018, management does not believe doubtful accounts are significant, and no allowance has been reflected in the financial statements. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms.

Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering ACICS's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect the client's ability to pay, and current economic conditions.

The allowance for doubtful accounts is increased by charges to bad debts expense and decreased by charge offs of the accounts receivable balances. Accounts receivable are considered past due based on management's determination. Accounts receivable are reduced based on management's case-by-case determination that they are uncollectible.

Investments

ACICS invests in a professionally managed portfolio. All investments are carried at fair value. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the financial statements.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Realized and unrealized gains and losses are reported as investment income in the statement of activities and changes in net assets.

Property and Equipment

Property and equipment are recorded at cost. All acquisitions in excess of \$1,000 are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Artwork is not considered a collection and is a non-depreciable asset. Property and equipment are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in income.

Revenue Recognition

Sustaining fees are recognized in the year to which they apply. Sustaining fees received in advance are recorded as deferred revenue and are recognized in subsequent periods when they are earned.

User fees are charged to cover the administrative costs of processing forms and are recognized when the forms have been processed.

Substantially all receivables are derived from institutions that ACICS accredits. All receivables to these institutions are made on an unsecured basis. Historically, ACICS has not incurred significant credit related losses.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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 period. Actual results could differ from those estimates.

Prior Year Information

The financial information as of June 30, 2017, is presented in the statement of financial position, statement of activities and changes in net assets, and statement of cash flows for comparative purposes only and is not intended to represent complete financial statement presentation.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

ACICS expenses advertising costs as they are incurred.

Income Taxes and Uncertainty in Income Taxes

ACICS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization that is not a private foundation. ACICS is, however, subject to income tax on any net profits generated by unrelated business activities as defined under the tax laws. To date, ACICS has not engaged in such activities. As of June 30, 2018, ACICS's information returns filed with the Internal Revenue Service remain open for examination generally for three years after they were filed.

ACICS follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Examples of tax positions include the tax-exempt status of ACICS and various positions related to the potential sources of unrelated business taxable income (UBTI). As of June 30, 2018, ACICS had no uncertain tax positions that qualified for either recognition of an unrecognized tax benefit or disclosure in its financial statements.

ACICS's policy is to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during the year ended June 30, 2018.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on net assets or changes in net assets.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit's liquidity, financial performance, and cash flows. The ASU becomes effective for fiscal years beginning after December 15, 2017. Earlier application is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management has not evaluated the impact of this ASU on its financial statements.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *(Topic 840), Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Earlier application is permitted. Management has not evaluated the impact of this ASU on its financial statements.

3. CONCENTRATION OF CREDIT RISK

ACICS maintains its cash balances at one financial institution in the Washington, D.C., area. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2018, the uninsured balance for all cash accounts was approximately \$452,000.

ACICS maintains its investments at one financial institution in the Washington, D.C., area. The cash equivalents and certificates of deposit held at this institution are insured by the FDIC up to \$250,000. At June 30, 2018, there was no uninsured balance for these cash equivalents and certificates of deposit. All other investments held in this institution are insured by the Securities Investor Protection Corporation (SIPC) for up to \$500,000. At June 30, 2018, the uninsured balance for these investments was approximately \$10,722,000.

4. PROPERTY AND EQUIPMENT

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

Furniture and Fixtures	\$ 3,828,656
Leasehold Improvements	555,877
Artwork	4,006
	<u>4,388,539</u>
Less Accumulated Depreciation and Amortization	<u>(3,050,606)</u>
	<u>\$ 1,337,933</u>

Depreciation and amortization expense was \$495,135 for the year ended June 30, 2018.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

ACICS's investments constitute its only assets or liabilities measured at fair value on a recurring basis as of June 30, 2018. These investments and their fair value measurements are summarized below:

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash and Short-Term	\$ 100,995	\$ 100,995	\$ -	\$ -
Corporate Bonds	2,861,244	-	2,861,244	-
Corporate Bond Mutual Funds	1,023,916	1,023,916	-	-
U.S. Equities	4,241,023	4,241,023	-	-
U.S. Equity Mutual Funds	653,701	653,701	-	-
International Equities	2,441,617	2,441,617	-	-
	<u>\$ 11,322,496</u>	<u>\$ 8,461,252</u>	<u>\$ 2,861,244</u>	<u>\$ -</u>

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Accounting principles generally accepted in the United States of America provide a common definition of fair value, establish a framework for measure of fair value and expand disclosures about fair value measurements, but do not require any new fair value measurements.

All assets and liabilities required to be measured at fair value by these accounting principles have been assessed with the following three-tier hierarchy of inputs:

Financial assets measured using Level 1 inputs are based on unadjusted quoted market prices in active markets for identical assets.

Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from observable market data.

Level 3 inputs, if any, are obtained from ACICS's own assumptions.

Investment income consisted of the following for the year ended June 30, 2018:

Interest and Dividends	\$ 281,272
Realized Gains	367,003
Unrealized Gains	106,892
Net Investment Income	<u>\$ 755,167</u>

ACICS incurred investment fees of approximately \$79,000 for the year ended June 30, 2018.

6. COMMITMENTS AND CONTINGENCIES

ACICS leases office space in Washington, D.C., which was amended in September 2018 to extend the agreement through June 30, 2019. ACICS also leases office equipment. Minimum monthly rent for office space and equipment is currently \$39,042. The total of all rental payments due under the office lease are being recognized on a straight-line basis in the statement of activities and changes in net assets. Accordingly, there is a liability recorded for deferred rent equal to the difference between the rent expense and the actual cash payments required by the lease.

The following is a schedule of future minimum lease payments as of June 30, 2018:

For the Year Ending June 30,

2019	\$ 452,187
	<u>\$ 452,187</u>

The total expense incurred under all operating leases during the year ended June 30, 2018, was \$549,487.

ACICS has contracted various consultants and insurance providers. ACICS is obligated to pay fees for these relationships. ACICS has an employment contract with its President expiring on July 30, 2020. In the event of termination, ACICS may be obligated to pay the President up to twelve months base salary.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

7. PENSION PLANS

ACICS has a defined contribution pension plan, ACICS retirement/savings plan, as regulated by the Internal Revenue Service Code 401(a). Employees become eligible after one year of service, and become 25% vested for every year of employment. Contributions to the Plan are discretionary and ACICS contributed 5% of eligible employees' salaries. \$80,289 was contributed for the year ended June 30, 2018. ACICS's employees are also eligible to participate in a 403(b) tax deferred annuity plan through which they can defer a portion of their annual salary. These voluntary contributions immediately vest to the employees.

8. ACCREDITATION AUTHORITY

Current Accreditation Status

ACICS continues to be recognized by the U.S. Department of Education as an accrediting agency. On September 28, 2018, the Senior Department Official (SDO) at the U.S. Department of Education recommended that ACICS be granted continued recognition with the condition that it submits a compliance report within 12 months demonstrating full compliance with 34 CFR §§ 602.15(a)(2) and (a)(6). ACICS's status as federally recognized accrediting agency is currently before the Secretary pending a final decision.

Historical Information on Accreditation Status

In September 2016, ACICS was notified that the SDO had accepted the recommendation of Department staff and the National Advisory Committee on Institutional Quality and Integrity (NACIQI) to deny the renewal of recognition. ACICS appealed the decision and was notified in December 2016 that the appeal had been denied. ACICS timely filed litigation seeking injunctive and other relief through the courts. On March 23, 2018, the U.S. District Court for the District of Columbia issued a Memorandum Opinion remanding the decision to deny renewal of recognition, resulting in a resubmission of the documents supporting ACICS's petition for re-recognition and the current pending decision before the Secretary.

9. SUBSEQUENT EVENTS

ACICS has evaluated subsequent events through December 3, 2018, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services		Supporting Services	Total
	Accreditation Expense	Education	Management and General	
Salaries and Benefits	\$ 691,927	\$ 652,389	\$ 632,619	\$ 1,976,935
Travel and Meals	398,409	-	-	398,409
Depreciation	173,297	163,395	158,443	495,135
Occupancy	177,939	167,771	162,687	508,397
Professional Fees	59,781	56,365	54,656	170,802
Meetings	79,594	75,046	72,772	227,412
Legal and Accounting	-	-	280,349	280,349
Recognition Petition	-	-	564,809	564,809
Interest and Fees	-	-	167,811	167,811
Payroll Taxes	38,799	36,582	35,473	110,854
Computer Maintenance and Consulting	117,639	110,917	107,556	336,112
Utilities	28,558	26,927	26,109	81,594
Bad Debt Expense	-	-	601,590	601,590
Training	17,369	16,377	15,880	49,626
Office Supplies	4,402	4,150	4,025	12,577
Equipment Rentals and Maintenance	17,063	16,088	15,600	48,751
Insurance	48,942	46,146	44,747	139,835
Miscellaneous	4,992	4,707	4,565	14,264
Dues and Subscriptions	2,158	2,035	1,973	6,166
Printing and Postage	1,049	989	958	2,996
	<u>\$ 1,861,918</u>	<u>\$ 1,379,884</u>	<u>\$ 2,952,622</u>	<u>\$ 6,194,424</u>



ACICS Design Document

Microsoft Dynamics

9/13/2012

Account Code	Budget FY 2020 (Final Edits)
4100-ACICS Sustaining Fees	\$ 540,000
4190-CHANGE MISSION STATEMENT	\$ 450
4193-CONTRACT OR PARTNERSHIP	\$ 500
4194-PROGRAM START EXTENSION	\$ 1,200
4205-AIBC - Branch Campus App	\$ 5,000
4206-BTF_Reclass Branch to Main	\$ 7,500
4210-AILS - Learning Site App	\$ 2,000
4220-NG - New Grant	\$ 42,000
4226-BTF - NG Program Fee	\$ 30,000
4227-NG - Learning Site Surcharge	\$ 2,500
4230-CO_ML - Change of Ownership	\$ 10,000
4235-CNA - Change of Name	\$ 1,500
4236-CLA - Change of Location	\$ 1,500
4239-PA_NSCL - Non Sub	\$ 20,700
4240-PA_FL - New Program All Locations	\$ 50,000
4242-DEA_FL - Distance Ed	\$ 8,000
4245-HF_ARB - Appeal to Review Board	\$ 10,000
4248-NCST - Non Credit Short Term	\$ 1,500
4249-PA_FL - Clock to Credit Hour	\$ 2,500
4260-HF_PA - Hearing In Person	\$ 25,000
4265-HF_IW - Hearing in Writing	\$ 28,000
4700-LATE_FEE - AFR Late Fee	\$ 8,000
4705-AIR_FEE - CAR Late Fee	\$ 8,000
4707-APPEAL_CAR_REVISION	\$ 11,250
4800-FALL VISIT CYCLE	\$ 290,400
4800-SPRING VISIT CYCLE	\$ 237,600
4800-WINTER VISIT CYCLE	\$ 237,600
Annual Meeting	\$ 150,000
Initial Applications -	\$ 75,000
Initial Resource Visits -	\$ 36,000
Preliminary Visits -	\$ 15,000
4540 - Wrkshp- Initial Accreditation	\$ 19,800
4550 - Wrkshp-Renewal Accreditation	\$ 23,600
Other Workshops	\$ 17,700
Total Income	\$ 1,919,800

Account Code	Budget FY 2020 (Final Edits)
5000 - Salaries & Wages	\$ 1,214,324
5030 - Retirement Plan	\$ 60,716
5040 - Health Insurance	\$ 189,447
5050 - Life Insurance	\$ 8,774
5060 - Dental Insurance	\$ 15,093
5070 - Payroll Taxes	\$ 78,199
5080 - State Unemployment Insuran	\$ 10,000
Salaries and benefits	
5010 - Staff Support	\$ 235,200
5210 - Postage	\$ 750
5310 - Telephone - Mobile	\$ 8,400
5320 - Telephone	\$ 27,684
5420 - Equipment Leasing	\$ 22,946
5430 - Office Supplies	\$ 600
5431 - Office Maintenance	\$ 605
5510 - General Insurance	\$ 146,269
5520 - Taxes - Other	\$ 2,448
5660 - Miscellaneous	\$ 380
5710 - American Express Merchant	\$ 8,400
5725 - Bank Fees	\$ 18,239
5950 - Computer Maintenance & Fee	\$ 71,462
6710 - Dues & Subscriptions	\$ 700
6740 - Public Relations	\$ 60,000
6755 - Principal fees	\$ 33,001
6800 - Technology Consulting Support	\$ 18,123
Administration	
6610 - Legal Fees	\$ 220,000
6620 - Accounting & Audit	\$ 38,100
6730 - IT Management Fees	\$ 39,610
8010 - Legal Litigation	\$ 220,000
Legal/Accounting/IT Management	
6250 - Annual Meeting	\$ 125,000
6225 - February Policy Meeting	\$ 28,000
6220 - December Meeting	\$ 38,000
6230 - April Meeting	\$ 28,000
6210 - August Meeting	\$ 28,000
6242 - IRC Meeting - November	\$ 18,000
6240 - IRC Meeting - March	\$ 18,000
6241 - IRC Meeting - July	\$ 18,000
5460 - Offsite Storage	\$ 4,500
5900 - Rent	\$ 90,912
6150 - T&E President	\$ 14,000
5800 - Visit Expenses	\$ 382,800
6430 - Workshop Exp: Accred	\$ 5,000
Total Expenses	\$ 3,547,682
Total Profit/Loss	\$ (1,627,882)

Account Code	Budget FY 2021	Budget FY 2022	Budget FY 2023
4100-ACICS Sustaining Fees	\$ 662,000	\$ 841,300	\$ 1,067,495
4190-CHANGE MISSION STATEMENT	\$ 600	\$ 900	\$ 1,200
4193-CONTRACT OR PARTNERSHIP	\$ 2,000	\$ 1,500	\$ 1,500
4194-PROGRAM START EXTENSION	\$ 1,500	\$ 1,800	\$ 2,250
4205-AIBC - Branch Campus App	\$ 12,000	\$ 15,000	\$ 18,000
4206-BTF_Reclass Branch to Main	\$ 10,000	\$ 12,500	\$ 15,000
4210-AILS - Learning Site App	\$ 6,000	\$ 8,000	\$ 10,000
4220-NG - New Grant	\$ 62,500	\$ 75,000	\$ 87,500
4226-BTF - NG Program Fee	\$ 35,000	\$ 40,000	\$ 45,000
4227-NG - Learning Site Surcharge	\$ 7,500	\$ 10,000	\$ 12,500
4230-CO_ML - Change of Ownership	\$ 20,000	\$ 25,000	\$ 30,000
4235-CNA - Change of Name	\$ 1,800	\$ 2,100	\$ 2,400
4236-CLA - Change of Location	\$ 2,000	\$ 3,000	\$ 4,000
4239-PA_NSCL - Non Sub	\$ 22,500	\$ 25,800	\$ 30,000
4240-PA_FL - New Program All Locations	\$ 65,000	\$ 80,000	\$ 100,000
4242-DEA_FL - Distance Ed	\$ 12,000	\$ 18,000	\$ 23,000
4245-HF_ARB - Appeal to Review Board	\$ 20,000	\$ 20,000	\$ 20,000
4248-NCST - Non Credit Short Term	\$ 2,700	\$ 3,600	\$ 4,500
4249-PA_FL - Clock to Credit Hour	\$ 2,750	\$ 3,025	\$ 3,328
4260-HF_PA - Hearing In Person	\$ 30,000	\$ 35,000	\$ 40,000
4265-HF_IW - Hearing in Writing	\$ 32,000	\$ 36,000	\$ 40,000
4700-LATE_FEE - AFR Late Fee	\$ 9,000	\$ 10,000	\$ 11,000
4705-AIR_FEE - CAR Late Fee	\$ 6,000	\$ 7,000	\$ 8,000
4707-APPEAL_CAR_REVISION	\$ 15,000	\$ 18,750	\$ 22,500
4800-FALL VISIT CYCLE	\$ 345,000	\$ 396,750	\$ 456,263
4800-SPRING VISIT CYCLE	\$ 269,500	\$ 296,450	\$ 326,095
4800-WINTER VISIT CYCLE	\$ 270,250	\$ 310,788	\$ 357,406
Annual Meeting	\$ 175,000	\$ 200,000	\$ 225,000
Initial Applications -	\$ 105,000	\$ 150,000	\$ 210,000
Initial Resource Visits -	\$ 36,000	\$ 36,000	\$ 36,000
Preliminary Visits -	\$ 30,000	\$ 45,000	\$ 60,000
4540 - Wrkshp- Initial Accreditation	\$ 39,600	\$ 39,600	\$ 39,600
4550 - Wrkshp-Renewal Accreditation	\$ 32,450	\$ 35,400	\$ 38,350
Other Workshops	\$ 30,000	\$ 35,000	\$ 40,000
Total Income	\$ 2,372,650	\$ 2,838,263	\$ 3,387,886

Account Code	Budget FY 2021	Budget FY 2022	Budget FY 2023
5000 - Salaries & Wages	\$ 1,058,061	\$ 1,089,803	\$ 1,122,497
5030 - Retirement Plan	\$ 51,362	\$ 52,903	\$ 54,490
5040 - Health Insurance	\$ 160,328	\$ 165,138	\$ 170,092
5050 - Life Insurance	\$ 7,995	\$ 8,235	\$ 8,482
5060 - Dental Insurance	\$ 13,759	\$ 14,172	\$ 14,597
5070 - Payroll Taxes	\$ 68,839	\$ 70,904	\$ 73,031
5080 - State Unemployment Insuran	\$ 3,500	\$ 3,500	\$ 3,500
Salaries and benefits	\$ 1,363,844	\$ 1,404,655	\$ 1,446,689
5010 - Staff Support	\$ 172,800	\$ 162,800	\$ 152,800
5210 - Postage	\$ 750	\$ 750	\$ 750
5310 - Telephone - Mobile	\$ 8,400	\$ 8,400	\$ 8,400
5320 - Telephone	\$ 30,945	\$ 30,945	\$ 30,945
5420 - Equipment Leasing	\$ 22,946	\$ 22,946	\$ 22,946
5430 - Office Supplies	\$ 600	\$ 600	\$ 600
5431 - Office Maintenance	\$ 605	\$ 605	\$ 605
5510 - General Insurance	\$ 94,302	\$ 94,302	\$ 94,302
5520 - Taxes - Other	\$ 2,770	\$ 2,770	\$ 2,770
5660 - Miscellaneous	\$ 380	\$ 380	\$ 380
5710 - American Express Merchant	\$ 8,400	\$ 8,400	\$ 8,400
5725 - Bank Fees	\$ 18,239	\$ 18,239	\$ 18,239
5950 - Computer Maintenance & Fee	\$ 89,224	\$ 84,224	\$ 79,224
6710 - Dues & Subscriptions	\$ 700	\$ 700	\$ 700
6740 - Public Relations	\$ 40,000	\$ 30,000	\$ 20,000
6755 - Principal fees	\$ 33,001	\$ 33,001	\$ 33,001
6800 - Technology Consulting Support	\$ 12,123	\$ 12,123	\$ 12,123
Administration			
6610 - Legal Fees	\$ 200,000	\$ 200,000	\$ 200,000
6620 - Accounting & Audit	\$ 38,100	\$ 38,100	\$ 38,100
6730 - IT Management Fees	\$ 39,279	\$ 39,279	\$ 39,279
8010 - Legal Litigation	\$ 200,000	\$ 180,000	\$ 160,000
Legal/Accounting/IT Management			
6250 - Annual Meeting	\$ 125,000	\$ 125,000	\$ 125,000
6225 - February Policy Meeting	\$ 30,000	\$ 30,000	\$ 30,000
6220 - December Meeting	\$ 25,000	\$ 25,000	\$ 25,000
6230 - April Meeting	\$ 35,000	\$ 35,000	\$ 35,000
6210 - August Meeting	\$ 25,000	\$ 25,000	\$ 25,000
6242 - IRC Meeting - November	\$ 10,000	\$ 10,000	\$ 10,000
6240 - IRC Meeting - March	\$ 10,000	\$ 10,000	\$ 10,000
6241 - IRC Meeting - July	\$ 10,000	\$ 10,000	\$ 10,000
5460 - Offsite Storage	\$ 4,500	\$ 4,500	\$ 4,500
5900 - Rent	\$ 245,805	\$ 253,179	\$ 260,775
6150 - T&E President	\$ 14,000	\$ 14,000	\$ 14,000
5800 - Visit Expenses	\$ 353,900	\$ 401,595	\$ 455,905
6430 - Workshop Exp: Accred	\$ 5,000	\$ 5,000	\$ 5,000
Total Expenses	\$ 3,270,613	\$ 3,321,492	\$ 3,380,432
Total Profit/Loss	\$ (897,963)	\$ (483,230)	\$ 7,453

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ACCREDITING COUNCIL FOR INDEPENDENT
 COLLEGES AND SCHOOLS
 C/O ROGER WILLIAMS, EXECUTIVE DIR.
 750 FIRST STREET, NE SUITE 980
 WASHINGTON, DC 20002

Your account number 

June 1, 2019 to June 30, 2019

Account Statement

ACCREDITING COUNCIL FOR INDEPENDENT
 COLLEGES AND SCHOOLS (ACICS)
 INVESTMENT MANAGEMENT ACCOUNT

Statement Prepared by
 Private Wealth Advisor
 Portfolio Manager
 Trust Advisor
 Account Administrator

BMO Harris Bank N.A.

M. KOCH 

D. KELLER 

K. HOUSE 

Personal Service Team 

It is important for you to review the data reported in this statement and contact your Private Wealth Advisor, Portfolio Manager, Trust Advisor, Personal Service Team, or another member of your Client Strategy Team if you have any questions.

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• *Change in the value of your account*

	JUN 01, 2019 TO JUN 30, 2019	JAN 01, 2019 TO JUN 30, 2019
Beginning market value	\$9,389,343.17	\$10,355,020.51
Deposits		
Assets	0.00	165,518.79
Distributions		
Cash	0.00	-1,600,000.00
Assets	0.00	-165,518.79
Bank fees	-5,113.44	-33,649.14
Change in portfolio value		
Income	29,111.79	122,298.22
Market change	362,938.83	932,610.76
Ending market value	\$9,776,280.35	\$9,776,280.35

• *Realized gain and loss summary*

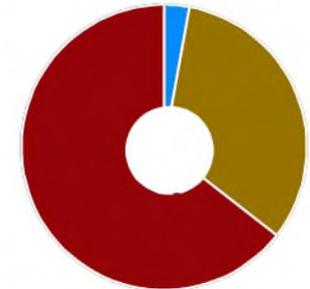
	JUN 01, 2019 TO JUN 30, 2019	JAN 01, 2019 TO JUN 30, 2019
Realized capital gain/loss	\$22,881.70	\$210,653.07

• *Income summary*

	JUN 01, 2019 TO JUN 30, 2019	JAN 01, 2019 TO JUN 30, 2019
Dividends	18,645.62	51,126.29
Interest		
Other taxable	10,466.17	71,171.93
Total income	\$29,111.79	\$122,298.22
Estimated annual income: \$223,259.78		

• *Summary of your assets*

	MARKET VALUE ON JUN 30, 2019	% OF YOUR ACCOUNT FOR CURRENT PERIOD
Short-term	284,040.65	2.91
Total cash & short-term	\$284,040.65	2.91 %
Corporate and other taxable	2,771,916.77	28.35
Alternatives-Low Volatility	419,585.54	4.29
Total fixed income/low volatility	\$3,191,502.31	32.65 %
Total cash, short-term & fixed income/low volatility	\$3,475,542.96	35.55 %
U.S. equity	3,487,523.17	35.67
U.S. equity funds	1,522,368.97	15.57
International	1,260,896.01	12.90
Alternatives-High Volatility	29,949.24	0.31
Total equity/high volatility	\$6,300,737.39	64.45 %
YOUR TOTAL ASSETS	\$9,776,280.35	100.00 %

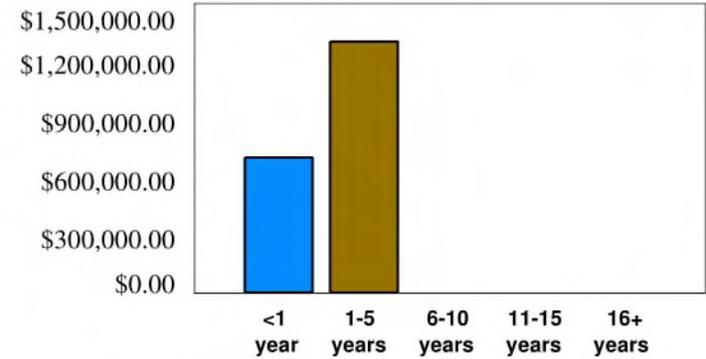


■ Cash & short-term
■ Fixed income/Low volatility
■ Equity / High volatility

* may not add to 100% due to rounding

• *Your bond maturity schedule*

MATURITY DATE	PAR VALUE
Cash & short-term	\$284,040.65
<u>Less than 1 year</u>	
1 to 12 months	700,000.00
<u>1 to 5 years</u>	
13 to 24 months	400,000.00
25 to 36 months	100,000.00
37 to 48 months	300,000.00
49 to 60 months	500,000.00
Total bonds	\$2,000,000.00



• *Summary of sectors*

	MARKET VALUE ON JUN 30, 2019	% OF TOTAL COMMON STOCKS
Common stocks		
Consumer discretionary	407,910.53	11.70
Consumer staples	351,157.94	10.07
Energy	237,563.88	6.81
Financials	565,117.17	16.20
Health care	482,502.42	13.84
Industrials	282,320.91	8.10
Information technology	707,758.81	20.29
Telecommunication services	327,552.25	9.39
Utilities	125,639.26	3.60
Total common stocks	\$3,487,523.17	100.00 %
Equity funds		
U.S. large cap	571,815.00	
U.S. small/mid cap	950,553.97	
International	1,260,896.01	
Total equity funds	\$2,783,264.98	

· *Details of assets in your account*

DESCRIPTION OF ASSET	QUANTITY	X	CURRENT UNIT VALUE	=	CURRENT TOTAL MARKET VALUE	-	FEDERAL TAX COST	=	UNREALIZED GAIN/LOSS	ESTIMATED ANNUAL INCOME	YIELD
CASH & SHORT-TERM											
FEDERATED GOVERNMENT OBLIGATIONS FUND	284,040.650		1.0000		284,040.65		284,040.65		0.00	6,472.01	2.28%
TOTAL CASH & SHORT-TERM					\$284,040.65		\$284,040.65		\$0.00	\$6,472.01	2.28%
FIXED INCOME/LOW VOLATILITY											
Corporate and other taxable											
ACE INA HOLDINGS DTD 11/03/2015 2.875% 11/03/2022 CALLABLE MOODYS: A3 S&P: A	200,000.000		101.8590		203,718.00		196,080.00		7,638.00	5,750.00	2.82%
AMAZON.COM INC DTD 12/05/2014 2.600% 12/05/2019 CALLABLE MOODYS: A3 S&P: AA-	100,000.000		100.1230		100,123.00		100,072.06		50.94	2,600.00	2.60%
BOSTON PROPERTIES LP DTD 04/11/2013 3.125% 09/01/2023 CALLABLE MOODYS: BAA1 S&P: A-	200,000.000		102.5640		205,128.00		201,320.10		3,807.90	6,250.00	3.05%
BURLINGTN NORTH SANTA FE DTD 08/22/2011 3.450% 09/15/2021 CALLABLE MOODYS: A3 S&P: A+	100,000.000		102.4360		102,436.00		103,652.78		-1,216.78	3,450.00	3.37%
CITIGROUP INC DTD 02/18/2015 2.400% 02/18/2020 NON CALLABLE MOODYS: A3 S&P: BBB+	200,000.000		100.0000		200,000.00		198,684.00		1,316.00	4,800.00	2.40%
COMCAST CORP DTD 06/18/2009 5.700% 07/01/2019 NON CALLABLE MOODYS: A3 S&P: A-	200,000.000		100.0000		200,000.00		204,448.54		-4,448.54	11,400.00	5.70%

• *Details of assets in your account (continued)*

DESCRIPTION OF ASSET	QUANTITY	X	CURRENT UNIT VALUE	=	CURRENT TOTAL MARKET VALUE	-	FEDERAL TAX COST	=	UNREALIZED GAIN/LOSS	ESTIMATED ANNUAL INCOME	YIELD
DUKE ENERGY CAROLINAS DTD 03/01/2018 3.050% 03/15/2023 CALLABLE MOODYS: AA2 S&P: A	26442CAV6		100,000.000		102,768.00		98,667.00		4,101.00	3,050.00	2.97%
INTERCONTINENTAL EXCHANGE DTD 10/08/2013 4.000% 10/15/2023 NON CALLABLE MOODYS: A2 S&P: A	45866FAA2		200,000.000		212,420.00		203,476.99		8,943.01	8,000.00	3.77%
JOHN DEERE CAPITAL CORP MEDIUM TERM NOTE DTD 09/15/2014 2.300% 09/16/2019 NON CALLABLE MOODYS: A2 S&P: A	24422ESS9		100,000.000		99,976.00		100,066.58		-90.58	2,300.00	2.30%
JPMORGAN CHASE & CO DTD 05/10/2011 4.625% 05/10/2021 NON CALLABLE MOODYS: A2 S&P: A-	46625HHZ6		200,000.000		208,200.00		207,267.82		932.18	9,250.00	4.44%
TD AMERITRADE HOLDING CO DTD 11/25/2009 5.600% 12/01/2019 NON CALLABLE MOODYS: A2 S&P: A	87236YAA6		100,000.000		101,268.00		101,587.75		-319.75	5,600.00	5.53%
VERIZON COMMUNICATIONS DTD 03/17/2014 3.450% 03/15/2021 NON CALLABLE MOODYS: BAA1 S&P: BBB+ International	92343VCC6		200,000.000		204,550.00		205,875.66		-1,325.66	6,900.00	3.37%
SCHLUMBERGER INVESTMENT DTD 12/03/2013 3.650% 12/01/2023 CALLABLE MOODYS: A1 S&P: A+ Taxable funds	806854AH8		100,000.000		105,211.00		100,422.85		4,788.15	3,650.00	3.47%

• *Details of assets in your account (continued)*

DESCRIPTION OF ASSET		QUANTITY	X	CURRENT UNIT VALUE	=	CURRENT TOTAL MARKET VALUE	-	FEDERAL TAX COST	=	UNREALIZED GAIN/LOSS	ESTIMATED ANNUAL INCOME	YIELD
BMO SHORT-TERM INCOME FUND CLASS I	MSIFX	24,625.268		9.4300		232,216.28		230,492.51		1,723.77	5,786.94	2.49%
BMO TCH CORPORATE INCOME FUND CLASS I	MCIIX	3,952.569		13.2700		52,450.59		50,000.00		2,450.59	1,853.75	3.53%
DODGE & COX INCOME FUND MUTUAL FUND	DODIX	7,440.477		13.9100		103,497.04		100,000.00		3,497.04	3,184.52	3.08%
FEDERATED ULTRASHORT BOND FUND	FULIX	11,502.055		9.1400		105,128.78		104,235.70		893.08	2,702.98	2.57%
VANGUARD SHORT-TERM INVESTMENT GRADE FUND	VFSUX	21,739.130		10.7100		232,826.08		229,508.70		3,317.38	6,717.39	2.88%
Total Corporate and other taxable						\$2,771,916.77		\$2,735,859.04		\$36,057.73	\$93,245.58	3.36%
Alternatives-Low Volatility												
Hedge funds												
BLACKROCK STRATEGIC INCOME OPPORTUNITIES PORTFOLIO	BSIIX	9,802.000		9.9100		97,137.82		94,196.09		2,941.73	3,146.44	3.24%
Opportunistic low volatility												
FIDELITY ADVISOR FLOATING RATE HIGH INCOME FUND	FFRIX	10,075.000		9.4700		95,410.25		94,201.25		1,209.00	4,715.10	4.94%
FRANKLIN FLOATING RATE DAILY ACCESS FUND	FDAAX	26,932.084		8.4300		227,037.47		244,227.44		-17,189.97	12,038.64	5.30%
Total Alternatives-Low Volatility						\$419,585.54		\$432,624.78		-\$13,039.24	\$19,900.18	4.74%
TOTAL FIXED INCOME/LOW VOLATILITY						\$3,191,502.31		\$3,168,483.82		\$23,018.49	\$113,145.76	3.55%
EQUITY/HIGH VOLATILITY												
U.S. equity												
ABBVIE INC Health care	ABBV	501.000		72.7200		36,432.72		37,157.81		-725.09	2,144.28	5.89%

• *Details of assets in your account (continued)*

DESCRIPTION OF ASSET		QUANTITY	X	CURRENT UNIT VALUE	=	CURRENT TOTAL MARKET VALUE	-	FEDERAL TAX COST	=	UNREALIZED GAIN/LOSS	ESTIMATED ANNUAL INCOME	YIELD
AES CORP Utilities	AES	3,632.000		16.7600		60,872.32		46,917.09		13,955.23	1,983.07	3.26%
AGCO CORP Industrials	AGCO	324.000		77.5700		25,132.68		23,591.64		1,541.04	207.36	0.82%
ALPHABET INC CL C Telecommunication services	GOOG	125.000		1,080.9100		135,113.75		89,384.85		45,728.90	0.00	0.00%
AMAZON.COM INC Consumer discretionary	AMZN	28.000		1,893.6300		53,021.64		43,660.27		9,361.37	0.00	0.00%
AMERICAN EXPRESS CO CAPITAL STOCK Financials	AXP	425.000		123.4400		52,462.00		43,187.69		9,274.31	663.00	1.26%
APPLE INC Information technology	AAPL	700.000		197.9200		138,544.00		11,934.30		126,609.70	2,156.00	1.56%
APPLIED MATERIALS INC Information technology	AMAT	349.000		44.9100		15,673.59		13,602.31		2,071.28	293.16	1.87%
AUTOZONE INC Consumer discretionary	AZO	64.000		1,099.4700		70,366.08		49,109.99		21,256.09	0.00	0.00%
BANK AMERICA CORP Financials	BAC	755.000		29.0000		21,895.00		21,430.15		464.85	453.00	2.07%
CABOT OIL & GAS CORP Energy	COG	1,428.000		22.9600		32,786.88		38,035.92		-5,249.04	514.08	1.57%
CADENCE DESIGN SYSTEMS INC Information technology	CDNS	836.000		70.8100		59,197.16		52,724.51		6,472.65	0.00	0.00%
CATERPILLAR INC Industrials	CAT	404.000		136.2900		55,061.16		55,460.83		-399.67	1,664.48	3.02%
CHEVRON CORPORATION Energy	CVX	875.000		124.4400		108,885.00		92,652.39		16,232.61	4,165.00	3.82%

• *Details of assets in your account (continued)*

DESCRIPTION OF ASSET		QUANTITY	X	CURRENT UNIT VALUE	=	CURRENT TOTAL MARKET VALUE	-	FEDERAL TAX COST	=	UNREALIZED GAIN/LOSS	ESTIMATED ANNUAL INCOME	YIELD
CITIGROUP INC Financials	C	1,655.000		70.0300		115,899.65		64,166.67		51,732.98	2,979.00	2.57%
CITIZENS FINANCIAL GROUP INC Financials	CFG	1,449.000		35.3600		51,236.64		50,723.48		513.16	1,854.72	3.62%
COMCAST CORP-CL A CL A COMMON STOCK Telecommunication services	CMCSA	3,800.000		42.2800		160,664.00		48,111.15		112,552.85	3,192.00	1.99%
CONOCOPHILLIPS Energy	COP	1,572.000		61.0000		95,892.00		90,163.73		5,728.27	1,917.84	2.00%
DISCOVER FINL SVCS Financials	DFS	965.000		77.5900		74,874.35		29,222.35		45,652.00	1,544.00	2.06%
DISCOVERY INC SER A Telecommunication services	DISCA	1,035.000		30.7000		31,774.50		28,787.81		2,986.69	0.00	0.00%
DOLLAR GENERAL CORP Consumer discretionary	DG	710.000		135.1600		95,963.60		73,923.92		22,039.68	908.80	0.95%
ESSEX PROPERTY TRUST INC REAL ESTATE INVESTMENT TRUST Financials	ESS	291.000		291.9300		84,951.63		66,929.78		18,021.85	2,269.80	2.67%
EXELON CORP Utilities	EXC	1,351.000		47.9400		64,766.94		59,928.94		4,838.00	1,958.95	3.02%
EXPEDIA GROUP INC Consumer discretionary	EXPE	237.000		133.0300		31,528.11		27,662.73		3,865.38	303.36	0.96%
FORTINET INC Information technology	FTNT	204.000		76.8300		15,673.32		9,131.04		6,542.28	0.00	0.00%
HCA HEALTHCARE INC Health care	HCA	586.000		135.1700		79,209.62		67,622.84		11,586.78	937.60	1.18%

• *Details of assets in your account (continued)*

DESCRIPTION OF ASSET		QUANTITY	X	CURRENT UNIT VALUE	=	CURRENT TOTAL MARKET VALUE	-	FEDERAL TAX COST	=	UNREALIZED GAIN/LOSS	ESTIMATED ANNUAL INCOME	YIELD
HERSHEY FOODS CORP Consumer staples	HSY	225.000		134.0300		30,156.75		28,896.19		1,260.56	649.80	2.15%
HILL-ROM HOLDING Health care	HRC	550.000		104.6200		57,541.00		34,494.90		23,046.10	462.00	0.80%
INTEL CORP Information technology	INTC	2,187.000		47.8700		104,691.69		109,391.06		-4,699.37	2,755.62	2.63%
ISHARES DJ US HEALTHCARE SEC ETF Health care	IYH	350.000		195.2700		68,344.50		50,125.74		18,218.76	1,248.45	1.83%
KROGER CO Consumer staples	KR	1,585.000		21.7100		34,410.35		47,493.87		-13,083.52	1,014.40	2.95%
LAUDER ESTEE COS CL-A Consumer staples	EL	309.000		183.1100		56,580.99		56,505.88		75.11	531.48	0.94%
LILLY ELI & CO Health care	LLY	850.000		110.7900		94,171.50		70,757.32		23,414.18	2,193.00	2.33%
LOWES COS INC Consumer discretionary	LOW	1,250.000		100.9100		126,137.50		85,001.05		41,136.45	2,750.00	2.18%
MERCK & CO INC NEW Health care	MRK	1,152.000		83.8500		96,595.20		92,939.93		3,655.27	2,534.40	2.62%
MICROSOFT CORP Information technology	MSFT	1,408.000		133.9600		188,615.68		57,063.34		131,552.34	2,590.72	1.37%
MORGAN STANLEY Financials	MS	284.000		43.8100		12,442.04		11,915.93		526.11	340.80	2.74%
NIKE INC-CLASS B CLASS B COMMON STOCK Consumer discretionary	NKE	368.000		83.9500		30,893.60		27,708.96		3,184.64	323.84	1.05%
ORACLE CORPORATION Information technology	ORCL	523.000		56.9700		29,795.31		30,011.62		-216.31	502.08	1.68%

• *Details of assets in your account (continued)*

DESCRIPTION OF ASSET		QUANTITY	X	CURRENT UNIT VALUE	=	CURRENT TOTAL MARKET VALUE	-	FEDERAL TAX COST	=	UNREALIZED GAIN/LOSS	ESTIMATED ANNUAL INCOME	YIELD
OSHKOSH CORP Industrials	OSK	561.000		83.4900		46,837.89		39,505.51		7,332.38	605.88	1.29%
PFIZER INC Health care	PFE	1,159.000		43.3200		50,207.88		41,766.46		8,441.42	1,668.96	3.32%
POST HOLDINGS INC Consumer staples	POST	593.000		103.9700		61,654.21		60,885.05		769.16	0.00	0.00%
PROGRESSIVE CORP OHIO Financials	PGR	1,242.000		79.9300		99,273.06		70,823.84		28,449.22	496.80	0.50%
RAYMOND JAMES FINANCIAL INC Financials	RJF	616.000		84.5500		52,082.80		54,705.85		-2,623.05	837.76	1.61%
REGAL BELOIT CORP Industrials	RBC	524.000		81.7100		42,816.04		39,157.94		3,658.10	628.80	1.47%
SOUTHWEST AIRLINES CO Industrials	LUV	1,750.000		50.7800		88,865.00		42,154.08		46,710.92	1,260.00	1.42%
SYSCO CORP Consumer staples	SY	662.000		70.7200		46,816.64		40,901.14		5,915.50	1,032.72	2.21%
TEXTRON INC Industrials	TXT	0.000		53.0400		0.00		0.00		0.00	0.00	0.00%
UNITED RENTALS INC Industrials	URI	178.000		132.6300		23,608.14		23,145.02		463.12	0.00	0.00%
VISA INC Information technology	V	626.000		173.5500		108,642.30		78,811.85		29,830.45	626.00	0.58%
WALMART INC Consumer staples	WMT	1,100.000		110.4900		121,539.00		76,778.42		44,760.58	2,332.00	1.92%
ZEBRA TECHNOLOGIES CORP COMMON STOCK CL A Information technology	ZBRA	224.000		209.4900		46,925.76		39,316.39		7,609.37	0.00	0.00%

• *Details of assets in your account (continued)*

DESCRIPTION OF ASSET	QUANTITY	X	CURRENT UNIT VALUE	=	CURRENT TOTAL MARKET VALUE	-	FEDERAL TAX COST	=	UNREALIZED GAIN/LOSS	ESTIMATED ANNUAL INCOME	YIELD
Total U.S. equity					\$3,487,523.17		\$2,545,481.53		\$942,041.64	\$59,495.01	1.71%
U.S. equity funds											
CHAMPLAIN MID CAP FUND Mid cap diversified equity	28,743.044		20.2400		581,759.21		489,370.83		92,388.38	0.00	0.00%
ISHARES CORE S&P 500 ETF Large cap diversified equity	1,940.000		294.7500		571,815.00		518,026.84		53,788.16	11,541.06	2.02%
ISHARES RUSSELL 2000 ETF Small cap diversified equity	1,146.000		155.5000		178,203.00		157,937.02		20,265.98	2,137.29	1.20%
T. ROWE PRICE SMALL-CAP STOCK FUND Small cap diversified equity	3,714.515		51.3100		190,591.76		104,154.99		86,436.77	0.00	0.00%
Total U.S. equity funds					\$1,522,368.97		\$1,269,489.68		\$252,879.29	\$13,678.35	.90%
International											
TWEEDY BROWNE GLOBAL VALUE FUND Developed large cap	2,613.240		27.9100		72,935.53		65,670.72		7,264.81	1,021.78	1.40%
VANGUARD FTSE EMERGING MARKETS ETF Emerging	17,534.000		42.5300		745,721.02		686,990.34		58,730.68	19,182.20	2.57%
VOYA MULTI-MANAGER INTERNATIONAL SMALL CAP FUND Developed small cap	6,703.355		50.5200		338,653.49		201,811.70		136,841.79	6,079.94	1.79%
XTRACKERS MSCI EAFE HEDGED EQU Developed large cap	3,277.000		31.6100		103,585.97		97,314.45		6,271.52	4,184.73	4.04%
Total International					\$1,260,896.01		\$1,051,787.21		\$209,108.80	\$30,468.65	2.42%
Alternatives-High Volatility											
Hedge funds											

• *Details of assets in your account (continued)*

DESCRIPTION OF ASSET	QUANTITY	X	CURRENT UNIT VALUE	=	CURRENT TOTAL MARKET VALUE	-	FEDERAL TAX COST	=	UNREALIZED GAIN/LOSS	ESTIMATED ANNUAL INCOME	YIELD
JPMORGAN OPPORTUNISTIC EQUITY LONG/SHORT FUND Total return hedge funds	1,662.000		18.0200		29,949.24		30,547.56		-598.32	0.00	0.00%
Total Alternatives-High Volatility					\$29,949.24		\$30,547.56		-\$598.32	\$0.00	.00%
TOTAL EQUITY/HIGH VOLATILITY					\$6,300,737.39		\$4,897,305.98		\$1,403,431.41	\$103,642.01	1.64%
TOTAL ASSETS IN YOUR ACCOUNT					\$9,776,280.35		\$8,349,830.45		\$1,426,449.90	\$223,259.78	2.28%

• *Your account activity*

DATE	DESCRIPTION	INCOME	PRINCIPAL	REALIZED GAIN/LOSS
BEGINNING CASH BALANCE		\$3,050,740.41	-\$3,050,740.41	
06/03/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] SHARES DUE 6/1/19	688.91	0.00	0.00
06/03/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] SHARES DUE 6/1/19	221.90	0.00	0.00
06/03/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] /SHARE ON 1,572 SHARES DUE 6/3/19	479.46	0.00	0.00
06/03/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] SHARES DUE 6/3/19	583.00	0.00	0.00
06/03/19	CASH RECEIPT OF INTEREST EARNED ON [REDACTED] PAR VALUE DUE 6/1/19	[REDACTED]	[REDACTED]	[REDACTED]
06/03/19	AMORTIZED PREMIUM ON [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
06/03/19	CASH RECEIPT OF INTEREST EARNED ON [REDACTED] 1	2,800.00	0.00	0.00
06/03/19	AMORTIZED PREMIUM ON [REDACTED]	0.00	0.00	0.00
06/03/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] DIVIDEND FROM 5/1/19 TO 5/31/19	21.72	0.00	0.00
06/03/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] DIVIDEND FROM 5/1/19 TO 5/31/19	240.43	0.00	0.00
06/03/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] DIVIDEND FROM 5/1/19 TO 5/31/19	301.84	0.00	0.00
06/03/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] DIVIDEND FROM 5/1/19 TO 5/31/19	531.26	0.00	0.00

• *Your account activity (continued)*

DATE	DESCRIPTION	INCOME	PRINCIPAL	REALIZED GAIN/LOSS
06/03/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] DIVIDEND FROM 5/1/19 TO 5/31/19	154.06	0.00	0.00
06/03/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] DIVIDEND FROM 5/1/19 TO 5/31/19	423.50	0.00	0.00
06/03/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] FROM 5/1/19 TO 5/31/19	682.33	0.00	0.00
06/04/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] DIVIDEND FROM 5/1/19 TO 5/31/19	1,367.58	0.00	0.00
06/04/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] SHARES DUE 6/4/19	156.50	0.00	0.00
06/05/19	CASH RECEIPT OF INTEREST EARNED ON [REDACTED] ON [REDACTED]	1,300.00	0.00	0.00
06/05/19	AMORTIZED PREMIUM ON [REDACTED]	0.00	0.00	0.00
06/06/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] SHARES DUE 6/6/19	386.00	0.00	0.00
06/07/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] DUE 6/7/19	581.76	0.00	0.00
06/10/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] SHARES DUE 6/10/19	1,041.25	0.00	0.00
06/10/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] DUE 6/10/19	489.74	0.00	0.00
06/10/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] DUE 6/10/19	548.25	0.00	0.00
06/13/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] SHARES DUE 6/13/19	73.29	0.00	0.00

• *Your account activity (continued)*

DATE	DESCRIPTION	INCOME	PRINCIPAL	REALIZED GAIN/LOSS
06/13/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] SHARES DUE 6/13/19	75.84	0.00	0.00
06/13/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] SHARES DUE 6/13/19	647.68	0.00	0.00
06/14/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] DUE 6/14/19	51.84	0.00	0.00
06/14/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] SHARES DUE 6/14/19	162.45	0.00	0.00
06/19/19	SOLD 5,164 UNITS OF [REDACTED] 6/17/19 SOLD THROUGH [REDACTED] 5,164 UNITS AT \$49.2603	0.00	254,245.82	-11,268.47
06/20/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] \$0.2792/UNIT ON 17,534 UNITS DUE 6/20/19	4,895.49	0.00	0.00
06/21/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] ON 5,164 UNITS DUE 6/21/19	2,537.58	0.00	0.00
06/21/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] 1,940 UNITS DUE 6/21/19	3,448.83	0.00	0.00
06/21/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] DUE 6/21/19	186.90	0.00	0.00
06/21/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] 1,146 UNITS DUE 6/21/19	610.80	0.00	0.00
06/24/19	PURCHASED 253 SHARES OF [REDACTED] PURCHASED THROUGH LOOP [REDACTED] AT \$84.97569999	0.00	-21,503.91	0.00
06/24/19	PURCHASED 523 SHARES OF [REDACTED] 6/20/19 PURCHASED THROUGH [REDACTED] SHARES AT \$57.36359998	0.00	-30,011.62	0.00

• *Your account activity (continued)*

DATE	DESCRIPTION	INCOME	PRINCIPAL	REALIZED GAIN/LOSS
06/24/19	PURCHASED 178 SHARES OF [REDACTED] 19 PURCHASED THROUGH [REDACTED] SHARES AT \$130.0032	0.00	-23,145.02	0.00
06/24/19	PURCHASED 309 SHARES OF [REDACTED] TRADE DATE 6/20/19 PURCHASED THROUGH [REDACTED] SHARES AT \$182.84189998	0.00	-56,505.88	0.00
06/24/19	SOLD 802 SHARES OF [REDACTED] THROUGH [REDACTED]	0.00	41,482.19	2,753.69
06/24/19	SOLD 457 SHARES OF [REDACTED] PAID [REDACTED]	0.00	19,892.75	3,406.52
06/24/19	[REDACTED] PAID [REDACTED]	0.00	67,312.45	27,989.96
06/26/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] SHARES DUE 6/26/19	315.00	0.00	0.00
06/26/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] ON [REDACTED] UNITS DUE 6/26/19	818.45	0.00	0.00
06/28/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] SHARES DUE 6/28/19	113.25	0.00	0.00
06/28/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] SHARES DUE 6/28/19	234.40	0.00	0.00
06/28/19	CASH RECEIPT OF DIVIDEND EARNED ON [REDACTED] SHARES DUE 6/28/19	115.50	0.00	0.00
06/28/19	[REDACTED] TAX FEE COLLECTED 2018 Tax Service Fee	-200.00	0.00	0.00
	COMBINED PURCHASES FOR THE PERIOD 6/ 1/19 - 6/30/19 OF [REDACTED]	0.00	-278,262.12	0.00
	COMBINED SALES FOR THE PERIOD 6/ 1/19 - 6/30/19 OF [REDACTED]	0.00	2,496.99	0.00
	[REDACTED] FEE COLLECTED IN THE PERIOD 06/01/19 - 06/30/19	-4,913.44	0.00	0.00
	ENDING CASH BALANCE	\$3,074,738.76	-\$3,074,738.76	\$22,881.70

• Customer Notes

1. Prices, most of which are provided by national pricing services, are not guaranteed for accuracy or realizable value. Generally, the price shown for market-traded securities is the closing price as of the statement date. If a price is not received for that date, then the price will be the last price received. Non-market traded security prices are based on the most recent values provided or obtained.
2. Percentage columns may not total 100.0 due to rounding.
3. For Individual Retirement Trust (IRT) accounts, you have the right to modify the withholding instructions you have on file with us at any time. If you wish to do so, please contact your account administrator.
4. Estimated annual income is based on current assets and returns. It is a snapshot of your account as of the statement date. Variations in the asset composition and returns of the account will change these estimates. Please keep in mind that these are estimates only and not a guarantee of income.
5. Income and gain/loss information are based on the best information we have at the time of the transaction, some of which may have been provided by third parties. Subsequent changes can occur during the year. Also, in some instances, such as complex corporate mergers or tenders, the taxability of the transaction cannot adequately be reflected on your statement. Therefore, you should only use the official tax information letter, which is sent to you after the year-end, in preparation of your tax return.
6. You will receive an official tax information letter after the end of the tax year which advises you regarding the amounts you should include in your tax return. Do not rely on the income reported on this statement to prepare your taxes.
7. Trust accounting income is reflected in the section entitled "Your Account Activity". If your account is a Trust or an Estate, and BMO Harris or an affiliate is Trustee/ Co-Trustee or Executor/ Co-Executor, we will first apply the provisions specified in the governing document(s) or, in the absence of such provisions, the appropriate state law that applies for the allocation of income and principal as it relates to receipts and disbursements. Thus, the allocation may vary from state to state and account to account.
8. Receipt of this account statement will serve to confirm that the individual(s) with investment authority (i) directed or approved all account transactions listed on the account statement and (ii) ratifies all trades disclosed on the account statement. Please contact your portfolio manager or trust administrator with any questions.
9. For trust accounts governed by Arizona, Arkansas, Colorado, Kansas, Kentucky, Maine, Michigan, Missouri, Nebraska, New Hampshire, New Mexico, North Dakota, Virginia, West Virginia, Wisconsin, or the District of Columbia law, a beneficiary may not commence a proceeding against a trustee for breach of trust more than one year after the date the beneficiary or a representative of the beneficiary was sent a report that adequately disclosed the existence of a potential claim for breach of trust.
10. For trust accounts governed by Delaware law, a person may not initiate a proceeding against a trustee for breach of trust (i) more than one year after the date such person was sent a report that adequately disclosed the facts constituting the potential claim for breach of trust, (ii) more than 120 days after the trustee has ceased to serve and such person was sent a report that adequately disclosed the facts constituting the potential claim for breach of trust, or (iii) if earlier, after the date the proceeding was otherwise precluded by adjudication, release, consent or limitation.
11. For trust accounts governed by Florida law, a beneficiary may not commence a proceeding against a trustee for breach of trust with respect to a matter that was adequately disclosed in a trust disclosure document unless a proceeding to assert the claim is commenced within six months after receipt of the trust disclosure document.
12. For trust accounts governed by New Jersey law, a beneficiary may not commence a proceeding against a trustee for breach of trust with respect to a matter that was adequately disclosed in a trust disclosure document unless a proceeding to assert the claim is commenced within six months after receipt of the trust disclosure document.

• **Customer Notes (continued)**

13. For trust accounts governed by Ohio law, a beneficiary may not commence a proceeding against a trustee for breach of trust more than two years after the date the beneficiary, a representative of the beneficiary, or a beneficiary surrogate is sent a report that adequately discloses the existence of a potential claim for breach of trust.
14. For trust accounts governed by Oklahoma law, a beneficiary may not commence a proceeding against a trustee for breach of trust unless a proceeding to assert the claim is commenced within two years after receipt of the report or other statement that adequately discloses the existence of the claim for breach of trust.
15. For trust accounts governed by Utah law, a beneficiary may not commence a proceeding against a trustee for breach of trust more than six months after the date the beneficiary or a person who may represent and bind the beneficiary was sent a report that adequately disclosed the existence of a potential claim for breach of trust.
16. For trust accounts governed by Wyoming law, a beneficiary may not commence a proceeding against a fiduciary for breach of trust more than two years after the date the beneficiary or a representative of the beneficiary received a report that adequately disclosed the existence of a potential claim for breach of trust.
17. For trust accounts governed by Oregon law, per Oregon Statute §130.820: (1) Notwithstanding ORS chapter 12 or any other provision of law, but subject to subsection (2) of this section, a civil action against a trustee based on any act or omission of the trustee, whether based in tort, contract or other theory of recovery, must be commenced within six years after the date the act or omission is discovered, or six years after the date the act or omission should have been discovered, whichever is earlier. (2) A beneficiary may not commence a proceeding against a trustee more than one year after the date the beneficiary or a representative of the beneficiary is sent a report by certified or regular mail that adequately discloses the existence of a potential claim and that informs the beneficiary of the time allowed for commencing a proceeding. A copy of this section must be attached to the report. The report must provide sufficient information so that the beneficiary or representative knows of the potential claim or should have inquired into its existence. (3) If subsections (1) and (2) of this section do not apply, a judicial proceeding against a trustee must be commenced within 10 years from the date of the act or omission complained of, or two years from the termination of any fiduciary account established under the trust, whichever is later.
18. For accounts governed by Pennsylvania law, a beneficiary is barred from challenging a transaction or asserting a claim against a trustee for breach of trust if the trustee provided the beneficiary with a written financial report that disclosed the transaction or such report provided sufficient information so that the beneficiary knew or should have known of the potential claim or should have inquired into its existence and in the 30 months after a report was sent by the trustee to the beneficiary, the beneficiary did not notify the trustee in writing that the beneficiary challenges the transaction or asserts a claim and provides in writing the basis for that challenge or assertion.
19. For accounts governed by South Dakota law, if no objection has been made by a distribution beneficiary of a trust within one hundred and eighty days after a copy of the trustee's accounting has been mailed to the distribution beneficiary, the distribution beneficiary is deemed to have approved such accounting of the trustee, and the trustee, absent fraud, intentional misrepresentation, or material omission, shall be released and discharged from any and all liability to all beneficiaries of the trust as to all matters set forth in such accounting.
20. For trust accounts governed by Washington State law, a beneficiary may not commence a proceeding against a trustee for breach of trust more than three years after the date the beneficiary or a representative of the beneficiary was sent a report that adequately disclosed the existence of a potential claim for breach of trust. A beneficiary may petition the Superior Court of Washington pursuant to chapter 11.106 RCW to obtain review of the statement and of acts of the trustee disclosed in the statement.
21. If your account is a Trust or an Estate account, the statement reflects the total assets held in that Trust or Estate account and is not necessarily reflective of your rights and interests to the income or assets of the Trust or Estate. Your rights and interests with respect to income or assets detailed on this account statement are determined by the instrument or will governing the Trust or Estate and applicable law.

• **Customer Notes (continued)**

22. Taxable Bond Election. The IRS requires taxpayers to amortize the premium on all bonds over the life of the bond or until the bond is sold or redeemed. The annual amount of amortized premium will reduce the cost basis of the bond and may provide an offset to the income earned on the bond during the year. If the bond is a taxable bond, the taxpayer may elect out of the amortization rule; there is no opt out for tax-exempt bonds. BMO Harris will amortize premiums paid for all bonds in Client's account, including taxable bonds unless Client instructs otherwise in writing.
23. BMO Harris Bank's annual Privacy Policy is available for your review. For more information, please visit www.BMOHarrisBank.com/Privacy

Notification Regarding Proprietary Products and Fees: If permitted, your account will likely contain BMO Harris Proprietary Products. Proprietary Products are investment products or services that are offered, sponsored, or advised by BMO Harris or its affiliates, or for which BMO Harris or its affiliates receive compensation. Proprietary Products may include certificates of deposit; mutual funds; unregistered private funds; structured products; equity, commodity, financial or other derivatives; or other securities. BMO Harris or its affiliates receives compensation directly or indirectly from the Proprietary Products. This compensation may be in addition to any advisory or subadvisory fee or investment management fee for your Account.

Details regarding Proprietary Products and fees can be found in the BMO Harris information and disclosure for the particular product, as updated from time to time ("Disclosure"). For the current copy of the Disclosure, please contact your account representative or go to www.bmoprivatebank.com/us/disclosures.

"BMO Harris" as used in these Customer Notes means BMO Harris Bank N.A.

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

November 21, 2019

Michelle Edwards, President
Accrediting Council for Independent Colleges and Schools
1350 Eye Street, NW, Suite 560
Washington, DC 20005
Via email: medwards@acics.org

Dear Ms. Edwards:

I am writing to inform you of the results of our (the Office of Postsecondary Education's Accreditation Group's) review of the information and documentation provided by the Accrediting Council for Independent Colleges and Schools (ACICS or the agency), regarding the information reported in Inside Higher Ed on June 4, 2019, and The Chronicle of Higher Education on June 5, 2019, which reported the agency's public testimony to the Council for Higher Education Accreditation's recognition committee.

As you know, the U.S. Department of Education's (Department's) authority over accrediting agencies is through the recognition process, by which the Secretary of Education (Secretary) reviews and recognizes accrediting agencies for the purposes of the Title IV Federal Student Aid programs or other federal programs. The primary concern of the Accreditation Group is to ensure that an accrediting agency acts in accordance with both its own policies and procedures and with the Secretary's Criteria for Recognition (Criteria).

The Inside Higher Ed and The Chronicle of Higher Education articles include statements that ACICS has encountered financial difficulty which could affect its ability to carry out its accrediting responsibilities. The article in The Chronicle of Higher Education also includes information that ACICS accredited an institution, Virginia International University (VIU), that is alleged, by a State agency, to have committed plagiarism, grade inflation, and other academic concerns. The same article states that the San Diego University for Integrative Studies (SDUIS) is seeking accreditation from ACICS, and that the institution is currently appealing a denial of reaccreditation decision by the Accrediting Council for Continuing Education & Training (ACCET).

In response to the Department's letter dated June 19, 2019, ACICS provided a documented response to the issues that relate to the Criteria.

Administrative and fiscal capability

The agency provided a narrative response and its audited financial statements for fiscal years 2017 and 2018, its current budget and projections through 2023, its membership directory, a list of scheduled accreditation reviews, organizational chart, staff resumes and job descriptions (Exhibits 1 – FY 2020 and FY 2021-2023 Preliminary Budgets, 1 – Rejection of Consideration,

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2 – Executive Committee Meeting Minutes, 2 – Reserve Fund Withdrawals, 3 – FY 2019 Budget, 3 – Number of Institutions Long Term Projections, 4, 5, 6, 7, 8, 9, and 10).

In its narrative response, ACICS stated that the 10 full-time, one part-time and one contract employee are sufficient to carry out the accreditation activities required for the 74 institutions (117 main and branch campuses) which offer over 250 different programs that are accredited by the agency. The agency provided the staff resumes and job descriptions to document that all accrediting responsibilities are included.

Regarding fiscal capacity, Department staff reviewed the information and documentation provided by the agency, which demonstrates that ACICS currently has sufficient financial resources to carry out its accrediting responsibilities. Although the documentation indicates that the agency is currently operating at a deficit and is projected to do so until 2023, ACICS has sufficient reserves to cover the expected operating deficits, and the level of those reserves are in line with other similarly sized accrediting agencies. In addition, the financial projections included within the agency's budget reflect a measured growth at a realistic level, which projects that the operating deficits will be eliminated by 2024.

These findings notwithstanding, ACICS is also required to submit to the Department its audited financial records on a yearly basis over the next three years, as required by the Secretary's recognition decision dated November 21, 2018, and is scheduled to submit a petition for recognition on February 1, 2020. These submissions provide the Department with additional opportunities to review the agency's actual fiscal performance measured against the projections provided.

While the information and documentation provided by ACICS did not indicate that the agency has been unable to fulfill its accreditation activities due to a lack of administrative or fiscal capacity as related to site visits, council meetings or other committee meetings, the Department is concerned that the lack of effective evaluation and monitoring approaches related to the two institutions discussed in this letter, VIU and SDUIS, reflects inadequate staffing and other resources, which does not demonstrate effective compliance with Section 602.15(a)(1).

Although not requested by the Department, ACICS addressed the assertion included in The Chronicle of Higher Education article that the agency's financial challenges could cause it to accredit institutions that did not meet the agency's standards. The agency provided information and documentation that it has limited the institutions that have been invited to apply for accreditation to those that meet the ACICS eligibility standards, and that the executive committee of the agency is involved in the preliminary review process. The agency also provided information and documentation that it has limited the reinstatement of previously accredited institutions to those that meet ACICS' accreditation standards, and provided an example of a reinstatement denial due to academic quality concerns. ACICS asserts that if it were making accreditation decisions based solely on the agency's financial condition, it would not limit applications or reinstatements.

However, the institutional examples reviewed in this letter, SDUIS and VIU, do not demonstrate that the initial application review process is as discerning as described, nor that the renewal

accreditation or monitoring processes are as thorough as necessary for the agency to identify issues with the institution's continued compliance with accreditation standards, as required by Sections 602.17(c), 602.17(e), and 602.28(d).

Virginia International University

The agency provided a narrative response and the accreditation actions on and significant correspondence to VIU, as well as correspondence with the State Council for Higher Education in Virginia (SCHEV) related to the institution (Exhibits 11 & 12).

In its narrative response, ACICS described its review of VIU once it learned of the action taken by SCHEV, including the agency's issuance of the show-cause directive in March 2019 and continued show-cause in May 2019. Based on the agency's narrative response and the timeline and information provided to the Executive Council of ACICS on March 21, 2019, (Exhibit 11, pages 1-2), the action taken by ACICS appears to be the result of an article in Inside Higher Ed on March 20, 2019, and not a result of the receipt of the audit and recommendation to revoke the certificate to operate by SCHEV on February 8, 2019, (Exhibit 11, pages 7-19).

The Department notes that the agency has a standard, Title II, Chapter 3, 2-3-700 (Accreditation Criteria, Publication Date: September 14, 2017), which states that "ACICS periodically receives and may investigate information from federal or state agencies or other accrediting agencies, or through public media sources, with may indicate possible criteria violations. Adverse information may include, but is not limited to, ... negative audits or program reviews, and government agency investigations." The agency also states in its Policies and Procedures Manual (Revised September 2017) that the At-Risk Institutions' Group (ARIG) will investigate adverse external information (Chapter 13: Complaint and External Information Review).

However, it is not clear that a review by the ARIG occurred. An email to the Executive Council of ACICS on March 21, 2019, stated there was a discussion and recommendation by the ARIG, but the supplemental information provided does not include any notation of an ARIG meeting nor discussion on VIU, and includes an accreditation action recommendation that appears to come from an individual, not the ARIG (Exhibit 11, pages 1-2).

The Department is concerned that the agency had information and documentation from SCHEV that called into question VIU's ability to potentially meet the ACICS' standards, but did not review the information and documentation, nor act upon it until over a month later once the issue was raised in the press. This appears to indicate that ACICS failed to follow its own policies and procedures related to the timely review of adverse information, as expected by Section 602.28(d).

Even though ACICS eventually took action and issued a show-cause directive to VIU in March 2019, it is not clear from the information and documentation that the agency conducted its own review of the issues to ensure that VIU continued to meet ACICS' standards in the same areas, but instead relied upon the SCHEV review process and outcome. In addition, the March 2019 show-cause directive mainly addresses the potential revocation of VIU's license to operate by SCHEV and the institution's response to that proposed revocation, but does not demonstrate that

ACICS initiated a review of VIU itself to determine if VIU continued to meet the agency's accreditation standards (Exhibit 11, pages 20-25). Therefore, the Department is concerned that ACICS still does not have adequate mechanisms in place to conduct a prompt review when it receives a negative report from a State or other agency about an institution nor to determine if the agency should independently investigate the allegations of the report to confirm compliance with ACICS' standards, as required by Section 602.28(d).

The Department is concerned with the strikingly different conclusions reached by ACICS and SCHEV regarding the academic quality of the distance learning programs at VIU. ACICS conducted its comprehensive renewal of accreditation through an on-site visit in January 2018 to VIU and did not appear to find the significant concerns found by SCHEV in August 2018, especially in relation to the courses offered by distance education. We are concerned that either ACICS's distance education standards did not contain the same level of rigor as those utilized by SCHEV or that ACICS's onsite reviewers failed to uncover the deficiencies noted by the SCHEV audit in August 2018 as required by Sections 602.16(c) and 602.17(c)

Specifically, SCHEV found that the courses offered by distance education provided limited peer-to-peer and faculty-student interaction, lacked academic rigor at the graduate level, and were not comparable to the residential offerings (Exhibit 11, pages 12-17). The concerns ACICS found related to distance education during the comprehensive evaluation of VIU in January 2018 was limited to the lack of an adequate distance education plan and that the plan wasn't integrated into the institution's Campus Effectiveness Plan (Exhibit 11, page 6). After a deferral action in April 2018 (Exhibit 11, pages 4-5) due to issues unrelated to distance education or other significant academic concerns, ACICS granted renewal of accreditation in August 2018 without conditions (Exhibit 11, page 3). Even though SCHEV did not ultimately revoke VIU's license to operate, the audit findings led to a forced three-year moratorium of distance education due to the severity of the issues in that area (Exhibit 12, page 9).

San Diego University for Integrative Studies

The agency provided a narrative response, as well as the application for accreditation, accreditation actions on and significant correspondence related to SDUIS (Exhibits 1A, 1B, 1C, 1D, 1E, 1F, 1G, 1H, 1I, 2 – Initial Resource Report_SDUIS, 13, 14a, 14b, 14c, 15, 16 and 17).

The agency did not provide any correspondence with ACCET regarding SDUIS, as requested by the Department in its letter to ACICS. Instead, the agency states that SDUIS is not accredited by ACCET, but that it is a separate entity, USA English Language Center (USAELC), owned by SDUIS, that is accredited by ACCET. Therefore, ACICS did not contact ACCET due to that distinction and because "the institution being invited to apply for accreditation is not, and cannot be, accredited by the agency (i.e. SDUIS' program offerings are beyond ACCET's scope of recognition)." The agency provided SDUIS' documentation of this separation, to include listing of USAELC in the State of California Bureau for Private Postsecondary Education (BPPVE) directory in July 2019; approval by ACCET of a change of ownership without a change in control for USAELC in October 2018; State of California articles of incorporation for USAELC filed in October 2016; and the assignment by the IRS of an Employer Identification Number (EIN) to USAELC in August 2018 (Exhibit 17).

However, the Department notes that even though ACICS provided information and documentation that appear to support the agency's assertion that SDUIS and USAELC are legally separate entities, the agency's report from the initial resource site visit on June 30, 2016, includes a concern related to the ACCET action to place USAELC on show cause and requires "Evidence that the institution has been removed from the "Institutional Show Cause" status with ACCET" as part of the institution's action plan (Exhibit 2 – Initial Resource Report_SDUIS, pages 4, 18, and 20). In addition, the Database of Accredited Postsecondary Institutions and Programs (DAPIP), that is hosted on the Department's website, lists the "USA English Language Center at San Diego University of Integrative Studies" and includes the ACCET accreditation history and documentation under the "Institutional Accreditation" tab.

In Exhibits 14a, 14b, and 14c, the agency provided the response by SDUIS to public comments received by ACICS. The SDUIS' response cover letter includes statements by the institution that: "SDUIS enjoys an excellent reputation in the professional community and is currently approved and monitored by the following agencies – Accrediting Council for Continuing Education and Training (ACCET)" (Exhibit 14a, page 7-8); and "the ESL program has been accredited by ACCET since 2013. A copy of our letter of accreditation is included as Attachment C" (Exhibit 14a, page 8). Beyond the cover letter, the attachments, provided by SDUIS to ACICS in response to the public comments, included numerous references to USAELC. For example, Attachment A (Exhibit 14a, pages 12-70), referred to as the "Who We Are" document, includes "USA English Language (sic) Center @ The San Diego University for Integrative Studies" on the cover, and references USAELC 10 times and SDUIS six times throughout the document. Attachment D (Exhibit 14b, pages 5-93), referred to as the institution's Operations and Procedure Manual, includes "USA English Language Center, SAN DIEGO UNIVERSITY FOR INTERGRATIVE STUDIES" on the cover, as well as the website for USAELC, www.usaelc.com, and the email for SDUIS, sduis@sduis.edu, and other references to both USAELC and SDUIS throughout the document. Attachments F, H, I, and M within Exhibit 14c also include references to USAELC and SDUIS and do not distinguish between the two entities.

The breadth and depth of information and documentation provided by SDUIS does not clearly demonstrate that USAELC is a separate entity, nor does the information included within the initial resource site visit report or on the DAPIP. Therefore, it does not appear that ACICS conducted a comprehensive analysis to assess the relationship between SDUIS and USAELC, to determine if ACICS is required to take into account the accreditation action by ACCET on USAELC when reviewing SDUIS, as required by Section 602.28(d).

After receiving over 400 pages of documentation provided by SDUIS in response to the public comments, ACICS provided a two-paragraph email to acknowledge receipt of the response and confirm the Initial Resource Visit (Exhibit 15). There is no indication in the acknowledgement email, the initial resource site visit report nor any other information or documentation submitted by ACICS, that the agency has conducted a substantive analysis of the SDUIS response to the public comments. Therefore, the lack of inquiry by ACICS does not demonstrate the agency conducted its own analysis of the documentation, as required by Section 602.17(e).

As required by the Secretary's recognition decision dated November 21, 2018, ACICS is scheduled to provide a compliance report on Sections 602.15(a)(2) and 602.15(a)(6) to the Department on December 21, 2019. Based on the findings of the Department staff in this review of ACICS, the agency must now provide information and documentation to address the compliance concerns noted in this letter related to Sections 602.15(a)(1), 602.16(c), 602.17(c), 602.17(e), and 602.28(d) within another compliance report due February 1, 2020.

Should you have any questions regarding this issue, please feel free to contact the staff analyst assigned to your agency, Elizabeth Daggett, at 202-453-6190 or via email at elizabeth.daggett@ed.gov. Thank you for addressing this matter.

Sincerely,

(b)(6)

Herman Bounds Jr., Ed.S., Director
Accreditation Group