



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

November 21, 2019
Revised January 29, 2020

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:

The purpose of this revised letter is to clarify that the noncompliant criteria cited in my November 21, 2019, letter are not related to the noncompliant criteria cited in the Secretary of Education's decision on recognition dated November 21, 2018. This revised letter also clarifies that a written response is due February 28, 2020, per the process in 34 Code of Federal Regulations (CFR) Section 602.33.

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. This letter constitutes the Department staff's written draft analysis pursuant to Section 602.33(c) of ACICS' compliance with the criteria of concern.

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).

400 MARYLAND AVENUE, S.W., WASHINGTON, DC 20202
www.ed.gov

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, 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, which 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 provided a compliance report on Sections 602.15(a)(2) and 602.15(a)(6) to the Department prior to the deadline of December 21, 2019. Based on the findings of the Department staff in this review of ACICS, the agency is invited to 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 a written response due February 28, 2020, per the process in Section 602.33(c). If the areas of noncompliance noted in this letter are not addressed, Department staff will propose a recognition recommendation for the agency to submit a compliance report and will finalize this analysis for presentation to NACIQI, at a meeting to be designated by the Department.

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

**ACCREDITING COUNCIL FOR
INDEPENDENT COLLEGES AND SCHOOLS
PROPOSED BUDGET
Budget - 2019-2020
Unaudited**

	Last year to date Actuals 6/30/2019	Year to date Budget - 2019-2020 6/30/2020
Revenue		
Sustaining Fees	1,269,191	540,000
Less Sustaining Fee Discounts	0	0
User Fees	633,232	352,100
Accreditation Visit Revenue	1,559,168	816,600
Less Visit Discounts	0	0
Workshop Registration Fees	137,180	211,100
Total Revenue	3,598,771	1,919,800
Expenses		
Salaries and benefits	1,603,649	1,576,553
Administration	1,699,494	655,207
Legal/Accounting/IT Management	701,664	517,710
Recognition Petition	49,362	0
Council, committee, and annual meetings	365,208	301,000
Occupancy	464,538	95,412
Staff travel/Professional Development	29,246	14,000
Accreditation Visit Expense	1,141,282	382,800
Workshops	17,191	5,000
Total Expenses	6,071,635	3,547,682
Change in Net Assets Before Other Revenue (Expenses)	(2,472,864)	(1,627,882)

Update Agency Information

Update your agency information or report agency actions.

Agency Name	Accrediting Council for Independent Colleges and Schools		
Agency Acronym	-		
Initial Recognition Year	1956	Recent Recognition Year	2016
Review Year	2021	Review Season	Summer
Scope of Recognition	the accreditation of private postsecondary institutions offering certificates or diplomas, and postsecondary institutions offering associate, bachelor's, or master's degrees in programs designed to educate students for professional, technical or business education		
Title IV Note	<input checked="" type="checkbox"/> This agency is recognized as a Title IV gatekeeper		
Head of Agency			
First Name	Michelle	Middle Name	-
Last Name	Edwards	Email Address	medwards@acics.org
Title	President		
Address 1	1350 Eye Street, NW		
Address 2	Bldg. 560		
City	Washington		
State	District of Columbia		
Telephone 1	2023366700	Zip Code	20005
Telephone 2	-	Telephone 1 Extension	-
Fax	2028422593	Telephone 2 Extension	-
		Web Address	www.acics.org

Agency Actions

08/12/13	Annual Report (002.271a)(1)	ACICS 2013 Annual Report
09/13/2018	Annual Report (002.271a)(1)	

SHOW ALL

2018 Annual Report



President's Message to the Membership

Dear ACICS Members,

We all know that it's been a tough couple years and was a great feeling to have our Annual Meeting be an in person meeting again. I think we all missed being together, sharing insights with each other and leaving with newfound energy and ideas.

I truly believe that our Annual Meeting represented a milestone and an important new chapter in the ACICS story. Together, we are turning the page to a new future.

Last November, when Secretary DeVos issued her decision granting ACICS continued recognition, one chapter came to a close and another one began. At the time of the decision, I remarked that in the previous two years ACICS had implemented significant reforms designed to address concerns and enhance our ability to hold schools accountable for meaningful student outcomes.

I said that we were committed to continually improving and evolving our processes to ensure we not only remain in compliance with current federal requirements, but also foster an environment of rigorous quality and continuous improvement, both at ACICS and our accredited schools.

And perhaps most ambitiously, I said that ACICS has set as a goal to become a leader among accreditors. I know that goal is both lofty and time-consuming to attain. But I believe in it. I believe in accreditation. I believe in our Commissioners and our institutions. I believe in the ACICS staff. And perhaps most importantly, I believe in the value of what our field provides to the students that enroll in our schools. At the Annual Conference, our Chair Rick Bennett said, "when done right, we are preparing people with the skills to make their lives better."

That's why I got into education in the first place. Before taking this job, I wore two hats. I oversaw academics for nine years at Delta School of Business and Technology in Lake Charles, Louisiana. I was an evaluator and team chair on ACICS visit teams. And I was an ACICS Board member beginning in 2015 and then serving as Chair beginning in 2017. Little did I know at the time that I would become President of this organization in July, 2017. But as I look back on the journey now, I can see how all of those experiences prepared me for today. Okay, maybe I wasn't quite prepared for the intensity of the last two years! But we got through it and I believe we are in a better place today, ready for a strong future.

I would not have survived the past two years without incredible support of the Board and the ACICS staff.

- **Mr. Richard Bennett** is our Chair and is Senior Vice President of Financial Aid at Southern Technical College
- **Dr. Adriene Hobdy** is our Vice-Chair and she comes from Montgomery County Community College
- **Dr. Larry Leak** is our Treasurer and a former Chair. He is now retired now but had an extensive career in the leadership at University of Maryland University College
- **Tibby Loveman** is our capable Secretary. She is a retired Nurse Educator and Medical Assistant Instructor



Other board members include:

- **Elizabeth Guinan**, former President of The Art Institute of Charlotte and immediate past Chair
- **Dr. Rafael Castilla**, Executive Vice President at Eastwick College
- **Dr. Fardad Fateri**, President & CEO of International Education Corporation
- **Scott DeBoer**, Chief Operating Officer at Santa Barbara Business College
- **Dr. Billy Ferrell**, Assistant Superintendent of Instruction for Cityscape Schools
- **Dr. Judee Timm**, professor emeritus from Monterey Peninsula College

Staff:

- **Steven Gelfound**, *Vice President of Operations*
- **Perliter Walters-Gilliam**, *Vice President of Accreditation*
- **Diane Durham**, *Accounting Manager*
- **Terri Jelinek**, *Senior Program Analyst*
- **Cathy Kouko**, *Senior Coordinator of Accreditation Compliance*
- **Andre McDuffie**, *Accreditation Coordinator*
- **David Moser**, *Accreditation Content Editor*
- **Kay Ropko**, *Senior Systems Manager*
- **Shaniqua Smith**, *Program Analyst*
- **Karly Zeigler**, *Manager of Policy and Institutional Compliance*

As you can imagine, this team was put to the test over the past two years. We have prepared more analysis, submitted more documents, and responded to more questions than I think anyone could have ever imagined. It was a lengthy and challenging process. And while the process continues to unfold, I think we are finally at a crossroads, one that allows us to begin to shift our thinking from the past to the future. Of course, that doesn't mean we can simply forget the past. On the contrary, we have been shaped by the past and must carry those lessons forward if we are to succeed. But we are excited to move forward.

I don't have a crystal ball and I can't predict the future. But I can tell you that we are stronger today than ever. We have implemented significant changes to address shortcomings in the past. But that's not enough. We are boldly pushing forward with a comprehensive strategic plan that will ensure we can be even better in the future. The Board and staff worked together to map out the key elements of the plan. It was a very thorough process and I think we landed in a great place.

We are focused on three key pillars over the next two years:

- Meet the needs of ACICS schools and students through enhanced customer service
- Meet our obligations as an accreditor by enhancing our organizational effectiveness
- Ensure the institutional integrity of the organization by strengthening our internal operational capacity

Why two years and not four or five? We've all been part of developing strategic plans that, once finalized, never again see the light of day. We did not want to do that. We felt like two



years was that appropriate window of time, not only because of the regulatory calendar but also because we will probably want to pause, reflect, evaluate and even recalibrate at some point ... and two years seemed like the right interval.

Our first pillar is focused on customer service – making sure we can support our schools and drive continuous quality improvement. That is a fundamental obligation of an accreditor and we believe the field will benefit from this focus. The first step in this process will be to conduct a customer service survey – I hope all of you will participate. We want to establish baseline metrics and identify customer needs. And then based on the findings, we will map and implement a plan to provide more resources, training opportunities, and collaborative learning venues designed to help our schools continually improve.

We will be in regular communication with all of you about this process. And I sincerely hope all of you will be in regular touch with us about what you need when it comes to providing quality educational opportunity while maintaining the reliability and stability of your organizations.

Of course, an accreditor has other obligations and we want to be sure we are able to not only meet our requirements, but exceed them. One of our primary functions is to conduct evaluations to ensure our schools are meeting the accreditation criteria. So, here too the starting point will be a survey of evaluation teams and schools that have recently been through the evaluation process. Our goal is to identify areas for improvement to ensure our evaluation teams have the training and resources to be effective, and to make sure our schools have a shared expectation of what it takes to meet the requirements of the evaluation process.

While that is largely an internal process, we also recognize the need to restore public trust in our process. To that end, we will make public key operating statistics for ACICS schools. The next step here is to figure out how best to approach this process, both from a data integrity and validity standpoint and also from a transparency and accountability perspective. I think this will be a very important initiative for the organization and I look forward to working with all of you to make sure it is both a benefit to the field and to the public at large.

Our third and final pillar is also an internal one. ACICS is a different organization that it was three years ago. Any organization that goes through major changes must, at some point, turn the focus internally and reflect on the changes that have taken place and applications for the future. We will do just that and, in doing so, will seek to reinvigorate both the board and the staff with new approaches and new resources.

I hope you are as excited about the strategic plan as I am. I think we are ready push forward. It will require some tough conversations and probably some challenging work ahead. But it is necessary, and I truly believe in the mission of this organization and our ability, over time, be a leader in the field of accreditors. I will share this journey with all of you through regular email updates and I encourage you to check in with me along the way if you have any questions, concerns, suggestions or observations. This only works if we are all in it together and I believe we are.

Of course, this process is going to be time-consuming and labor-intensive. We are taking the steps at a time when our membership has declined and, as a result, so too has our budget.



But like any good entrepreneur, we have to believe in and then invest in the future. The next two years will be a rebuilding process and our hope is that if we do it right, our membership will increase and with it our financial resources.

Michelle Edwards
President & CEO



Member Institutions (as of 6/2019)



Alabama

Fortis Institute, Birmingham

Arkansas

Bryan University, Rogers

California

Agape College of Business and Science, Fresno
Bay Area Medical Academy, San Francisco
Bergin College of Canine Studies, Penngrove
Beverly Hills Design Institute, Beverly Hills
California Aeronautical University, Bakersfield
California International Business University, San Diego
California Miramar University, San Diego
California University of Management and Sciences, Anaheim
Empire College, Santa Rosa
Laurus College, Oxnard
Laurus College, San Luis Obispo
Lincoln University, Oakland
Merit University, Los Angeles
Nobel School of Business, Los Angeles
Nobel School of Business - Buena Park, Buena Park
Northwestern Polytechnic University, Fremont
Pacific States University, Los Angeles
San Diego Global Knowledge University, San Diego
Santa Barbara Business College, Bakersfield
Santa Barbara Business College, Rancho Mirage
Santa Barbara Business College, Santa Maria
Santa Barbara Business College, Ventura
Southern States University, Irvine
Southern States University, San Diego

Connecticut

American Institute of Healthcare & Technology, Stratford

District of Columbia

Bay Atlantic University, Washington
Inter-American Defense College, Washington

Florida

Bethesda College of Health Sciences, Boynton Beach
College of Business & Technology, Cutler Bay
College of Business & Technology, Hialeah
College of Business & Technology, Miami
East West College of Natural Medicine, Sarasota
Florida Career College, Orlando
Florida Career College - Boynton Beach, Boynton Beach
Florida Career College - Hialeah, Hialeah
Florida Career College - Jacksonville, Jacksonville
Florida Career College - Lauderdale Lakes, Lauderdale Lakes
Florida Career College - Margate, Margate
Florida Career College - Miami, Miami
Florida Career College - Pembroke Pines, Pembroke Pines
Florida Career College - Riverview, Tampa
Florida Career College - West Palm Beach, West Palm Beach
Florida Technical College, Cutler Bay
Florida Technical College, Deland
Florida Technical College, Kissimmee
Florida Technical College, Lakeland
Florida Technical College, Orlando
Florida Technical College, Pembroke Pines
Gwinnett Institute, Orlando
Healing Hands Institute, Miami
Hope College of Arts & Sciences, Pompano Beach
Jose Maria Vargas University, Pembroke Pines
Marconi International University, Inc., Miami
Millennia Atlantic University, Doral
Premiere International College, Fort Myers
San Ignacio University, DORAL
Schiller International University, Largo
Southern Technical College, Fort Myers
Southern Technical College, Port Charlotte
Southern Technical College, Tampa
Suncoast College of Health, Bradenton
Unilatina International College, Miramar

Georgia

Gwinnett College, Lilburn
Pacific Institute of Technology, Atlanta

Illinois

National Latino Education Institute, Chicago

Louisiana

Camelot College, Baton Rouge

Maryland

Fortis College, Landover
Stratford University Baltimore Campus, Baltimore

Missouri

Bryan University, Springfield
Metro Business College, Cape Girardeau
Metro Business College, Jefferson City
Metro Business College, Rolla

Nevada

Art Institute of Las Vegas, Henderson
Southern States University - Las Vegas, NV, Las Vegas

New Jersey

Best Care College, East Orange
Eastwick College, Hackensack
Eastwick College, Nutley
Eastwick College, Ramsey
Universal Training Institute, Perth Amboy

New York

Emerging Technologies Institute, Forest Hills

North Carolina

Living Arts College @ School of Communication Arts, Raleigh
Living Arts Institute @ School of Communication Arts, Winston Salem

Ohio

Hondros College of Business, Westerville

Oregon

Oregon Culinary Institute, Portland
Pioneer Pacific College, Beaverton
Pioneer Pacific College, Eugene
Process Work Institute, Portland
Sumner College, Portland

Pennsylvania

Fortis Institute, Erie
Pittsburgh Career Institute, Pittsburgh

Puerto Rico

Atlantic University College, Guaynabo
Humacao Community College, Humacao
The Puerto Rico School of Nurse Anesthetists, Hato Rey

South Carolina

Forrest College, Anderson

South Dakota

Reagan National University, Sioux Falls

Texas

Florida Career College - Houston, Houston
Texas Health and Science University, Austin
Texas Health and Science University- San Antonio

Utah

Broadview University-West Jordan, West Jordan

Virginia

California University of Management and Sciences, Fairfax
Fortis College, Norfolk
Fortis College, Richmond
Stratford University, Falls Church
Stratford University, Newport News
Stratford University, Woodbridge
Stratford University - Alexandria Campus, Alexandria
Stratford University - Glen Allen, Glen Allen
Stratford University - Virginia Beach, Virginia Beach
University of North America, Fairfax
Virginia International University, Fairfax

International

American International College of Arts and Sciences-
Antigua, St. John's
American University In Bosnia and Herzegovina, Tuzla
California Miramar University-Kenya, Nairobi
Niels Brock Copenhagen Business College, Copenhagen
Schiller International University, Heidelberg
Schiller International University, Madrid
Schiller International University, Paris
Stratford University - New Delhi, Uttar Pradesh
Universidad San Ignacio De Loyola S.A., Lima
Universidad San Ignacio Loyola, Lima



ACICS

Financial Audit Report (FY 2018)





ACCREDITING COUNCIL FOR INDEPENDENT
COLLEGES AND SCHOOLS

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2018

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

TABLE OF CONTENTS
JUNE 30, 2018

	<u>Pages</u>
Independent Auditors' Report	3-4
Financial Statements	
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8-13
Supplementary Information	
Schedule of Functional Expenses	15



7910 WOODMONT AVENUE
SUITE 500
BETHESDA, MD 20814
(T) 301.986.0600

1150 18TH STREET, NW
SUITE 550
WASHINGTON, DC 20036
(T) 202.822.0717

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)

Bethesda, Maryland
December 3, 2018

Certified Public Accountants

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	 <u>(1,458,746)</u>	 <u>(1,125,191)</u>
 Net Assets, Beginning of Year	 <u>14,587,500</u>	 <u>15,712,691</u>
 Net Assets, End of Year	 <u><u>\$ 13,128,754</u></u>	 <u><u>\$ 14,587,500</u></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	<u>(183,608)</u>	<u>(368,048)</u>
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	<u>4,006</u>
	4,388,539
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	<u>106,892</u>
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>



7910 WOODMONT AVENUE
SUITE 500
BETHESDA, MD 20814
(T) 301.986.0680
(F) 301.986.0432

1901 L STREET, NW
SUITE 750
WASHINGTON, DC 20036
(T) 202.877.0717
(F) 202.877.0739

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)

Councilor, Buchanan & Mitchell, P.C.





7910 WOODMONT AVENUE
SUITE 500
BETHESDA, MD 20814
(T) 301.986.0600
(F) 301.986.0437

1901 L STREET, NW
SUITE 750
WASHINGTON, DC 20036
(T) 202.822.0717
(F) 202.822.0739

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)

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

TABLE OF CONTENTS
JUNE 30, 2017

	<u>Pages</u>
Independent Auditors' Report	3-4
Financial Statements	
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8-13
Supplementary Information	
Schedule of Functional Expenses	15

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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

	2017	2016
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,163,823	\$ 1,207,177
Accounts Receivable, Net	105,330	1,363,147
Prepaid Expenses	259,090	313,491
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	11,273	11,273
Total Assets	\$ 15,335,181	\$ 17,273,911
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 420,089	\$ 633,756
Accrued Compensation	292,479	792,151
Deferred Revenue	18,030	53,297
Total Current Liabilities	730,598	1,479,204
Long-Term Liabilities		
Accrued Rent, Noncurrent Portion	17,083	82,016
Total Liabilities	747,681	1,561,220
Net Assets		
Unrestricted	14,587,500	15,712,691
Total Liabilities and Net Assets	\$ 15,335,181	\$ 17,273,911

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>\$ 1,649,460</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>



7910 WOODMONT AVENUE
SUITE 500
BETHESDA, MD 20814
(T) 301.986.0600

1150 18TH STREET, NW
SUITE 550
WASHINGTON, DC 20036
(T) 202.822.0717

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)

Councilor, Buchanan & Mitchell, P.C.



7910 WOODMONT AVENUE
SUITE 500
BETHESDA, MD 20814
(T) 301.986.0600

1150 18TH STREET, NW
SUITE 550
WASHINGTON, DC 20036
(T) 202.822.0717

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,

(b)(6)

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

TABLE OF CONTENTS
JUNE 30, 2018

	<u>Pages</u>
Independent Auditors' Report	3-4
Financial Statements	
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets.....	6
Statement of Cash Flows	7
Notes to Financial Statements	8-13
Supplementary Information	
Schedule of Functional Expenses	15



7910 WOODMONT AVENUE
SUITE 500
BETHESDA, MD 20814
(T) 301.986.0600

1150 18TH STREET, NW
SUITE 550
WASHINGTON, DC 20036
(T) 202.822.0717

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.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
December 3, 2018

Certified Public Accountants

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>\$ 13,641,258</u>	<u>\$ 15,335,181</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>\$ 13,641,258</u>	<u>\$ 15,335,181</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><u>\$ 13,128,754</u></u>	<u><u>\$ 14,587,500</u></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.

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	<u>106,892</u>
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.

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



ACCREDITING COUNCIL FOR INDEPENDENT
COLLEGES AND SCHOOLS

FINANCIAL STATEMENTS

JUNE 30, 2019

- FOR REVIEW AND DISCUSSION ONLY -
PRELIMINARY DRAFT
SUBJECT TO CHANGE

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

TABLE OF CONTENTS
JUNE 30, 2019

	<u>Pages</u>
Independent Auditors' Report	3-4
Financial Statements	
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets.....	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9-15

PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION ONLY
SUBJECT TO CHANGE

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, 2019, and the related statements of activities and changes in net assets, functional expenses, 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 ACICS as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter

As discussed in Note 2 of the financial statements, ACICS adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Accrediting Council for Independent Colleges and Schools' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bethesda, Maryland
MRL DATE

Certified Public Accountants

PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)**

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 145,624	\$ 694,808
Accounts Receivable, Net	8,536	17,205
Prepaid Expenses	83,192	257,543
Total Current Assets	237,352	969,556
Investments	9,776,280	11,322,496
Property and Equipment, Net	937,243	1,337,933
Other Assets		
Deposits	48,329	11,273
Total Assets	\$ 10,999,204	\$ 13,641,258
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 97,024	\$ 287,884
Accrued Compensation	142,683	193,350
Deferred Revenue	590	31,270
Total Current Liabilities	240,297	512,504
Net Assets Without Donor Restrictions	10,758,907	13,128,754
Total Liabilities and Net Assets	\$ 10,999,204	\$ 13,641,258

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, 2019

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	<u>2019</u>	<u>2018</u>
Support and Revenue		
Sustaining Fees	\$ 1,269,191	\$ 2,749,517
Accreditation Visits	1,001,668	627,200
User Fees	630,232	569,100
Workshop Registration Fees	120,795	11,800
Net Investment Income	553,784	676,291
Other Revenue	<u>15,785</u>	<u>22,894</u>
 Total Support and Revenue	 <u>3,591,455</u>	 <u>4,656,802</u>
Expenses		
Program Services		
Accreditation Expense	2,479,315	1,861,918
Education	1,275,384	1,379,884
Supporting Services		
Management and General	<u>2,206,603</u>	<u>2,873,746</u>
 Total Expenses	 <u>5,961,302</u>	 <u>6,115,548</u>
 Change in Net Assets Without Donor Restrictions	 <u>(2,369,847)</u>	 <u>(1,458,746)</u>
 Net Assets, Beginning of Year	 <u>13,128,754</u>	 <u>14,587,500</u>
 Net Assets, End of Year	 <u><u>\$ 10,758,907</u></u>	 <u><u>\$ 13,128,754</u></u>

See accompanying Notes to Financial Statements.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**

	Program Services			2019 Total	2018 Total
	Accreditation Expense	Education	Management and General		
Salaries and Benefits	\$ 532,118	\$ 501,712	\$ 486,508	\$ 1,520,338	\$ 1,976,935
Travel and Meals	1,141,279	-	-	1,141,279	398,409
Depreciation	158,744	149,672	145,137	453,553	495,135
Occupancy	158,039	149,009	144,493	451,541	508,397
Professional Fees	86,961	81,992	79,508	248,461	170,802
Meetings	127,823	120,519	116,866	365,208	227,412
Legal and Accounting	-	-	675,176	675,176	280,349
Recognition Petition	-	-	80,222	80,222	564,809
Interest and Fees	-	-	123,428	123,428	88,935
Payroll Taxes	30,469	28,727	27,857	87,053	110,854
Computer Maintenance and Consulting	125,418	118,251	114,668	358,337	336,112
Utilities	25,427	23,975	23,247	72,649	81,594
Workshops	-	13,806	-	13,806	-
Bad Debt Expense	-	-	104,430	104,430	601,590
Training	10,236	9,651	9,359	29,246	49,626
Office Supplies	1,679	1,583	1,534	4,796	12,577
Equipment Rentals and Maintenance	12,104	11,413	11,067	34,584	48,751
Insurance	49,897	47,046	45,621	142,564	139,835
Miscellaneous	10,456	9,858	9,559	29,873	14,264
Dues and Subscriptions	6,395	6,029	5,847	18,271	6,166
Printing and Postage	2,270	2,141	2,076	6,487	2,996
Totals	\$ 2,479,315	\$ 1,275,384	\$ 2,206,603	\$ 5,961,302	\$ 6,115,548

See accompanying Notes to Financial Statements.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (2,369,847)	\$ (1,458,746)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Depreciation	453,553	495,135
Net Investment Income	(553,784)	(676,291)
Loss on Disposal of Property and Equipment	4,325	-
<u>Decrease (Increase) in Assets</u>		
Accounts Receivable	8,669	88,125
Prepaid Expenses	174,351	1,547
Lease Deposits	(37,056)	-
<u>(Decrease) Increase in Liabilities</u>		
Accounts Payable and Accrued Expenses	(190,860)	(135,852)
Accrued Compensation	(50,667)	(99,129)
Deferred Revenue	(30,680)	13,240
Deferred Rent	-	(13,436)
Net Cash Used in Operating Activities	<u>(2,591,996)</u>	<u>(1,785,407)</u>
Cash Flows from Investing Activities		
Purchases of Investments	(4,862,681)	(2,681,470)
Sales of Investments	6,962,681	4,181,470
Purchases of Furniture and Equipment	<u>(57,188)</u>	<u>(183,608)</u>
Net Cash Provided by Investing Activities	<u>2,042,812</u>	<u>1,316,392</u>
Net Decrease in Cash and Cash Equivalents	<u>(549,184)</u>	<u>(469,015)</u>
Cash and Cash Equivalents, Beginning of Year	<u>694,808</u>	<u>1,163,823</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 145,624</u></u>	<u><u>\$ 694,808</u></u>

See accompanying Notes to Financial Statements.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred. Information regarding the financial position and activities of ACICS is classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are not subject to donor-imposed restrictions or board designations. Net assets with donor restrictions are subject to stipulations imposed by donors or grantors and can be temporary or perpetual in nature. There were no net assets with donor restrictions at June 30, 2019.

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, 2019. 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, 2019, 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.

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.

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

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 program and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, travel and meals, occupancy, and depreciation, among others, which are allocated based on management's estimates of time and effort by employees. Expenses directly identifiable to program or supporting services are presented accordingly.

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, 2018, is presented in the statements of financial position, activities and changes in net assets, functional expenses, and cash flows for comparative purposes only and is not intended to represent complete financial statement presentation.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****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.

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, 2019, 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, 2019, 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, 2019.

New Accounting Pronouncements

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, 2020, including interim periods within those fiscal years. Earlier application is permitted. 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, 2019

2. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

For the year ended June 30, 2019, ACICS adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily restricted and permanently net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

3. LIQUIDITY AND AVAILABLE RESOURCES

ACICS's cash flows vary from month to month depending on the timing of institutional visit cycles, workshops and meetings, and additions of new schools, campuses, or programs. ACICS manages its assets to meet its financial obligations as they become due. Excess cash flows not needed for day-to-day operations are invested in short-term investments. To meet unanticipated or seasonal needs, ACICS can draw upon its investment reserves as needed.

As of June 30, 2019, the following financial assets and liquidity sources were available for general operating expenditures in the year ending June 30, 2020:

Cash and Cash Equivalents	\$ 145,624
Accounts Receivable, Net	8,536
Investments	<u>9,776,280</u>
Total Financial Assets Available in One Year	<u>\$ 9,930,440</u>

4. 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, 2019, there were no uninsured balances for all cash accounts.

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, 2019, the uninsured balance for these cash equivalents and certificates of deposit was approximately \$34,000. All other investments held in this institution are insured by the Securities Investor Protection Corporation (SIPC) for up to \$500,000. At June 30, 2019, the uninsured balance for these investments was approximately \$8,992,000.

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

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

5. PROPERTY AND EQUIPMENT

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

Furniture and Fixtures	\$ 3,639,879
Artwork	4,006
	<u>3,643,885</u>
Less Accumulated Depreciation and Amortization	<u>(2,706,642)</u>
Net Property and Equipment	<u>\$ 937,243</u>

Depreciation and amortization expense was \$453,553 for the year ended June 30, 2019.

6. 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, 2019. 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	\$ 284,041	\$ 284,041	\$ -	\$ -
Corporate Bonds	2,771,917	-	2,771,917	-
Corporate Bond Mutual Funds	419,585	419,585	-	-
U.S. Equities	3,487,523	3,487,523	-	-
U.S. Equity Mutual Funds	1,552,318	1,552,318	-	-
International Equities	1,260,896	1,260,896	-	-
Totals	<u>\$ 9,776,280</u>	<u>\$ 7,004,363</u>	<u>\$ 2,771,917</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.

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.

7. COMMITMENTS AND CONTINGENCIES

ACICS signed a new lease for office space in Washington, D.C., on May 3, 2019. The lease was amended on June 14, 2019, to allow for early occupancy beginning June 17, 2019. The lease includes provisions for rent abatement for the first eight months of the lease and annual rent escalations. Total rental payments under the lease are recognized on a straight-line basis

ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

7. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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. ACICS also leases office equipment. Minimum monthly rent for office space and equipment is currently \$19,934.

The following is a schedule of future minimum lease payments as of June 30, 2019:

For the Years Ending June 30,

2020	\$	74,112
2021		227,893
2022		233,591
2023		239,430
2024		245,416
Thereafter		<u>167,701</u>
Total	\$	<u>1,188,143</u>

The total expense incurred under all operating leases during the year ended June 30, 2019, was \$472,607.

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.

8. 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. There were no contributions to the Plan for the year ended June 30, 2019. 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.

9. 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.

9. ACCREDITATION AUTHORITY (CONTINUED)

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.

10. SUBSEQUENT EVENTS

ACICS has evaluated subsequent events through **MRL DATE**, the date on which the financial statements were available to be issued.

PRELIMINARY DRAFT
FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE

MRL DATE

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, 2019, and have issued our report thereon dated **MRL DATE**. 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 August 5, 2019 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 1 to the financial statements. During the year ended June 30, 2019, ACICS adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*, as described in Note 2 to the financial statements. 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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of liquidity and available resources in Note 3.

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 **MRL DATE**.

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.

In addition, we are highlighting the following new accounting standards, which may affect your financial statements over the next few years.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability 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. The standard also requires lessors to treat a lease as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, an operating lease results. The guidance is effective for fiscal years beginning after December 15, 2020.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606) (ASU 2014-09)*. The update establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. Contributions are expressly excluded from the standard. The guidance is effective for fiscal years beginning after December 15, 2018.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. For adoption, the ASU permits the use of either a full retrospective or modified retrospective basis. The ASU is required for annual reporting periods beginning after December 15, 2018, but may be early adopted.

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,

Councilor, Buchanan & Mitchell, P.C.

Account Code	Budget FY 2020 (Approved April 2019 - scheduled to reforecast in Dec. 2019)	
4100-ACICS Sustaining Fees	\$ 540,000	Campuses (main/branch) as of 6/30/18 = 255, as of 6/30/19 = 117. Budget is actual anticipated sustaining fees based on current membership at time of approval.
4190-CHANGE MISSION STATEMENT	\$ 450	Budget based on past performance
4193-CONTRACT OR PARTNERSHIP	\$ 500	Budget based on past performance
4194-PROGRAM START EXTENSION	\$ 1,200	Budget based on past performance
4205-AIBC - Branch Campus App	\$ 5,000	Budget based on past performance
4206-BTF_Reclass Branch to Main	\$ 7,500	Budget based on past performance
4210-AILS - Learning Site App	\$ 2,000	Budget based on past performance
4220-NG - New Grant	\$ 42,000	Budget based on past performance
4226-BTF - NG Program Fee	\$ 30,000	Budget based on past performance
4227-NG - Learning Site Surcharge	\$ 2,500	Budget based on past performance
4230-CO_ML - Change of Ownership	\$ 10,000	Budget based on past performance
4235-CNA - Change of Name	\$ 1,500	Budget based on past performance
4236-CLA - Change of Location	\$ 1,500	Budget based on past performance
4239-PA_NSCL - Non Sub	\$ 20,700	Budget based on past performance
4240-PA_FL - New Program All Locations	\$ 50,000	Budget based on past performance
4242-DEA_FL - Distance Ed	\$ 8,000	Budget based on past performance
4245-HF_ARB - Appeal to Review Board	\$ 10,000	Budget based on past performance
4248-NCST - Non Credit Short Term	\$ 1,500	Budget based on past performance
4249-PA_FL - Clock to Credit Hour	\$ 2,500	Budget based on past performance
4260-HF_PA - Hearing In Person	\$ 25,000	Budget based on past performance
4265-HF_IW - Hearing in Writing	\$ 28,000	Budget based on past performance
4700-LATE_FEE - AFR Late Fee	\$ 8,000	Budget based on past performance
4705-AIR_FEE - CAR Late Fee	\$ 8,000	Budget based on past performance
4707-APPEAL_CAR_REVISION	\$ 11,250	Budget based on past performance
4800-FALL VISIT CYCLE	\$ 290,400	Assumption based on anticipated team compositions for scheduled renewal visits
4800-SPRING VISIT CYCLE	\$ 237,600	Assumption based on anticipated team compositions for scheduled renewal visits
4800-WINTER VISIT CYCLE	\$ 237,600	Assumption based on anticipated team compositions for scheduled renewal visits
Annual Meeting	\$ 150,000	Budget based on past performance
Initial Applications -	\$ 75,000	
Initial Resource Visits -	\$ 36,000	Assumption based on 12 initial applications
Preliminary Visits -	\$ 15,000	Assumption based on 5 preliminary visits
4540 - Wrkshp- Initial Accreditation	\$ 19,800	Assumption based on 20 attendees annually
4550 - Wrkshp-Renewal Accreditation	\$ 23,600	Assumption based on 40 attendees annually
Other Workshops	\$ 17,700	We intend to resurrect our institutional workshops, ie. CEP, placement/retention, etc. in both webinar and in-person
Total Income	\$ 1,919,800	

Account Code	Budget FY 2020 (Approved April 2019 - scheduled to reforecast in Dec. 2019)	
5000 - Salaries & Wages	\$ 1,214,324	Exact expense
5030 - Retirement Plan	\$ 60,716	Assumes a 3% contribution to 401a
5040 - Health Insurance	\$ 189,447	Exact expense
5050 - Life Insurance	\$ 8,774	Exact expense
5060 - Dental Insurance	\$ 15,093	Exact expense
5070 - Payroll Taxes	\$ 78,199	Exact expense
5080 - State Unemployment Insuran	\$ 10,000	Exact expense
Salaries and benefits	\$ 1,570,019	
5010 - Staff Support	\$ 235,200	Previous year expense
5210 - Postage	\$ 750	Based upon previous year expenses and reduction of mailed documentation
5310 - Telephone - Mobile	\$ 8,400	Contract Amount
5320 - Telephone	\$ 27,684	Contract Amount
5420 - Equipment Leasing	\$ 22,946	Contracts
5430 - Office Supplies	\$ 600	Based on previous expenses
5431 - Office Maintenance	\$ 605	Based on previous expenses
5510 - General Insurance	\$ 152,803	Current policies
5520 - Taxes - Other	\$ 2,448	Based on previous
5660 - Miscellaneous	\$ 380	Based on previous
5710 - American Express Merchant	\$ 8,400	Based on previous
5725 - Bank Fees	\$ 18,239	Past performance indicator
5950 - Computer Maintenance & Fee	\$ 71,462	Past performance indicator
6710 - Dues & Subscriptions	\$ 700	Past performance indicator
6740 - Public Relations	\$ 60,000	Current retainer
6755 - Principal fees	\$ 33,001	Current contracted amount
6800 - Technology Consulting Support	\$ 18,123	Past performance indicator
Administration		
6610 - Legal Fees	\$ 220,000	Past performance indicator
6620 - Accounting & Audit	\$ 38,100	Current contracted amount
6730 - IT Management Fees	\$ 39,610	Past performance indicator
8010 - Legal Litigation	\$ 220,000	Past performance indicator
Legal/Accounting/IT Management		
6250 - Annual Meeting	\$ 125,000	Past performance indicator
6225 - February Policy Meeting	\$ 28,000	Past performance indicator
6220 - December Meeting	\$ 38,000	Past performance indicator
6230 - April Meeting	\$ 28,000	Past performance indicator
6210 - August Meeting	\$ 28,000	Past performance indicator
6242 - IRC Meeting - November	\$ 18,000	Past performance indicator
6240 - IRC Meeting - March	\$ 18,000	Past performance indicator
6241 - IRC Meeting - July	\$ 18,000	Past performance indicator
5460 - Offsite Storage	\$ 4,500	Past performance indicator
5900 - Rent	\$ 90,912	New lease recognizing free rent negotiations
6150 - T&E President	\$ 14,000	Past performance indicator
5800 - Visit Expenses	\$ 382,800	Estimated by scheduled renewal visits
6430 - Workshop Exp: Accred	\$ 5,000	Past performance indicator
Total Expenses	\$ 3,547,682	
Total Profit/Loss	\$ (1,627,882)	

Account Code	Budget	
	FY 2021	
	(12/19 - review and reforecast)	
	(2/20 - review and present draft to BOD)	
		(4/20 - review and present final to BOD)
4100-ACICS Sustaining Fees	\$ 662,000	Assumption takes into account an increase in sustaining fees, an increase in tuition revenue, and the addition of new members.
4190-CHANGE MISSION STATEMENT	\$ 600	Assumption is to have one additional application from previous year.
4193-CONTRACT OR PARTNERSHIP	\$ 2,000	Assumption is to have three additional applications from previous year.
4194-PROGRAM START EXTENSION	\$ 1,500	Assumption is to have two additional applications from previous year.
4205-AIBC - Branch Campus App	\$ 12,000	Assumption is to have four branch campus applications.
4206-BTF_Reclass Branch to Main	\$ 10,000	Assumption is to have four applications.
4210-AILS - Learning Site App	\$ 6,000	Assumption is to have two additional learning site applications from the previous year.
4220-NG - New Grant	\$ 62,500	Numbers are based on the scheduled institutions scheduled for a renewal grant each year.
4226-BTF - NG Program Fee	\$ 35,000	Same as above
4227-NG - Learning Site Surcharge	\$ 7,500	Same as above
4230-CO_ML - Change of Ownership	\$ 20,000	Assumption for two additional COO applications.
4235-CNA - Change of Name	\$ 1,800	Assumption for one additional CON application
4236-CLA - Change of Location	\$ 2,000	Assumption for two COL applications
4239-PA_NSCL - Non Sub	\$ 22,500	Assumption due to fewer campuses, 75 applications.
4240-PA_FL - New Program All Locations	\$ 65,000	Assumption due to fewer campuses, 65 applications.
4242-DEA_FL - Distance Ed	\$ 12,000	Assumption is four applications over previous year
4245-HF_ARB - Appeal to Review Board	\$ 20,000	Assumption is four two appeals to the review board
4248-NCST - Non Credit Short Term	\$ 2,700	Assumption four additional applications
4249-PA_FL - Clock to Credit Hour	\$ 2,750	Assumption is 10% increase in applications over previous year
4260-HF_PA - Hearing In Person	\$ 30,000	Assumption is for one additional in person hearing
4265-HF_IW - Hearing in Writing	\$ 32,000	Assumption is for additional in writing hearings
4700-LATE_FEE - AFR Late Fee	\$ 9,000	Assumption based on modest increase in membership is one additional late fee assessment.
4705-AIR_FEE - CAR Late Fee	\$ 6,000	Assumption based on modest increase in membership is one additional late fee assessment.
4707-APPEAL_CAR_REVISION	\$ 15,000	Assumption is for five additional revision requests
4800-FALL VISIT CYCLE	\$ 333,960	Assumption based on anticipated team compositions for scheduled renewal visits
4800-SPRING VISIT CYCLE	\$ 261,360	Assumption based on anticipated team compositions for scheduled renewal visits
4800-WINTER VISIT CYCLE	\$ 273,240	Assumption based on anticipated team compositions for scheduled renewal visits
Annual Meeting	\$ 175,000	Assumption based on building up attendance at annual professional development workshop and annual meeting.
Initial Applications -	\$ 105,000	
Initial Resource Visits -	\$ 36,000	Assumption based on 12 initial applications
Preliminary Visits -	\$ 30,000	Assumption based on 10 preliminary visits
4540 - Wrkshp- Initial Accreditation	\$ 39,600	Assumption based on 40 attendees annually
4550 - Wrkshp-Renewal Accreditation	\$ 32,450	Assumption based on 55 attendees annually
Other Workshops	\$ 30,000	We intend to resurrect our institutional workshops, ie. CEP, placement/retention, etc. in both webinar and in-person
Total Income	\$ 2,356,460	

Account Code	Budget	
	FY 2021	
	(12/19 - review and reforecast)	
	(2/20 - review and present draft to BOD)	
		(4/20 - review and present final to BOD)
5000 - Salaries & Wages	\$ 1,250,754	Assumes a 3% COL increase
5030 - Retirement Plan	\$ 62,537	Assumes a 3% contribution to 401a
5040 - Health Insurance	\$ 195,130	Assumes a 3% policy increase
5050 - Life Insurance	\$ 9,037	Assumes a 3% policy increase
5060 - Dental Insurance	\$ 15,546	Assumes a 3% policy increase
5070 - Payroll Taxes	\$ 80,545	Assumes a 3% policy increase
5080 - State Unemployment Insuran	\$ 3,500	Anticipate drop in line item due to previous year's severance policies
Salaries and benefits	\$ 1,617,050	
5010 - Staff Support	\$ 225,200	Plan to continue to reduce IT support following migration to Azure
5210 - Postage	\$ 750	Based upon previous year expenses and reduction of mailed documentation
5310 - Telephone - Mobile	\$ 8,400	Anticipate new contract
5320 - Telephone	\$ 30,945	Anticipate new contract
5420 - Equipment Leasing	\$ 22,946	Contracts
5430 - Office Supplies	\$ 600	Based on previous expenses
5431 - Office Maintenance	\$ 605	Based on previous expenses
5510 - General Insurance	\$ 94,302	Assumption of reduction in D&O insurance
5520 - Taxes - Other	\$ 2,770	Based on previous
5660 - Miscellaneous	\$ 380	Based on previous
5710 - American Express Merchant	\$ 8,400	Based on previous
5725 - Bank Fees	\$ 18,239	Past performance indicator
5950 - Computer Maintenance & Fee	\$ 89,224	Past performance indicator
6710 - Dues & Subscriptions	\$ 700	Past performance indicator
6740 - Public Relations	\$ 40,000	Reduce need for PR
6755 - Principal fees	\$ 33,001	Current contracted amount
6800 - Technology Consulting Support	\$ 12,123	Past performance indicator
Administration		
6610 - Legal Fees	\$ 200,000	Past performance indicator
6620 - Accounting & Audit	\$ 38,100	Current contracted amount
6730 - IT Management Fees	\$ 39,279	Past performance indicator
8010 - Legal Litigation	\$ 200,000	Past performance indicator
Legal/Accounting/IT Management		
6250 - Annual Meeting	\$ 125,000	Past performance indicator
6225 - February Policy Meeting	\$ 30,000	Past performance indicator
6220 - December Meeting	\$ 25,000	Past performance indicator
6230 - April Meeting	\$ 35,000	Past performance indicator
6210 - August Meeting	\$ 25,000	Past performance indicator
6242 - IRC Meeting - November	\$ 10,000	Past performance indicator
6240 - IRC Meeting - March	\$ 10,000	Past performance indicator
6241 - IRC Meeting - July	\$ 10,000	Past performance indicator
5460 - Offsite Storage	\$ 4,500	Past performance indicator
5900 - Rent	\$ 245,805	5 year lease
6150 - T&E President	\$ 14,000	Past performance indicator
5800 - Visit Expenses	\$ 347,424	Past performance indicator
6430 - Workshop Exp: Accred	\$ 5,000	Past performance indicator
Total Expenses	\$ 3,569,742	
Total Profit/Loss	\$ (1,213,282)	

Account Code	Budget	
	FY 2022	
	(Review and reforecast 12/19, 2/20, 4/20, 12/20)	
	(2/21 - review and present draft to BOD)	
		(4/21 - review and present final to BOD)
4100-ACICS Sustaining Fees	\$ 841,300	Assumption takes into account an increase in sustaining fees, an increase in tuition revenue, and the addition of new members.
4190-CHANGE MISSION STATEMENT	\$ 900	Assumption is to have two additional applications from previous year.
4193-CONTRACT OR PARTNERSHIP	\$ 1,500	Assumption is to have one less application from previous year.
4194-PROGRAM START EXTENSION	\$ 1,800	Assumption is to have two additional applications from previous year.
4205-AIBC - Branch Campus App	\$ 15,000	Assumption is to have five branch campus applications.
4206-BTF_Reclass Branch to Main	\$ 12,500	Assumption is to have five applications
4210-AILS - Learning Site App	\$ 8,000	Assumption is to have one additional learning site application from the previous year.
4220-NG - New Grant	\$ 75,000	Numbers are based on the scheduled institutions scheduled for a renewal grant each year.
4226-BTF - NG Program Fee	\$ 40,000	Same as above
4227-NG - Learning Site Surcharge	\$ 10,000	Same as above
4230-CO_ML - Change of Ownership	\$ 25,000	Assumption for one additional COO application.
4235-CNA - Change of Name	\$ 2,100	Assumption for one additional CON application
4236-CLA - Change of Location	\$ 3,000	Assumption for one additional COL application
4239-PA_NSCL - Non Sub	\$ 25,800	Assumption is a 15% increase in applications
4240-PA_FL - New Program All Locations	\$ 80,000	Assumption is a 22% increase in applications
4242-DEA_FL - Distance Ed	\$ 18,000	Assumption is six applications over previous year.
4245-HF_ARB - Appeal to Review Board	\$ 20,000	Assumption is four two appeals to the review board
4248-NCST - Non Credit Short Term	\$ 3,600	Assumption is three additional applications
4249-PA_FL - Clock to Credit Hour	\$ 3,025	Assumption is 10% increase in applications over previous year
4260-HF_PA - Hearing In Person	\$ 35,000	Assumption is for one additional in person hearing
4265-HF_IW - Hearing in Writing	\$ 36,000	Assumption is for two additional in writing hearings
4700-LATE_FEE - AFR Late Fee	\$ 10,000	Assumption based on modest increase in membership is one additional late fee assessment.
4705-AIR_FEE - CAR Late Fee	\$ 7,000	Assumption based on modest increase in membership is one additional late fee assessment.
4707-APPEAL_CAR_REVISION	\$ 18,750	Assumption is for five additional revision requests
4800-FALL VISIT CYCLE	\$ 384,054	Assumption based on anticipated team compositions for scheduled renewal visits
4800-SPRING VISIT CYCLE	\$ 287,496	Assumption based on anticipated team compositions for scheduled renewal visits
4800-WINTER VISIT CYCLE	\$ 314,226	Assumption based on anticipated team compositions for scheduled renewal visits
Annual Meeting	\$ 200,000	Assumption based on building up attendance at annual professional development workshop and annual meeting.
Initial Applications -	\$ 150,000	
Initial Resource Visits -	\$ 36,000	Assumption based on 12 initial applications
Preliminary Visits -	\$ 45,000	Assumption based on 15 preliminary visits
4540 - Wrkshp- Initial Accreditation	\$ 39,600	Assumption based on 40 attendees annually
4550 - Wrkshp-Renewal Accreditation	\$ 35,400	Assumption based on 60 attendees annually
Other Workshops	\$ 35,000	We intend to resurrect our institutional workshops, ie. CEP, placement/retention, etc. in both webinar and in-person
Total Income	\$ 2,820,051	

Account Code	Budget	
	FY 2022	
	(Review and reforecast 12/19, 2/20, 4/20, 12/20)	
	(2/21 - review and present draft to BOD)	
		(4/21 - review and present final to BOD)
5000 - Salaries & Wages	\$ 1,288,276	Assumes a 3% COL increase
5030 - Retirement Plan	\$ 64,414	Assumes a 3% contribution to 401a
5040 - Health Insurance	\$ 200,984	Assumes a 3% policy increase
5050 - Life Insurance	\$ 9,308	Assumes a 3% policy increase
5060 - Dental Insurance	\$ 16,012	Assumes a 3% policy increase
5070 - Payroll Taxes	\$ 82,961	Assumes a 3% policy increase
5080 - State Unemployment Insuran	\$ 3,500	Anticipate drop in line item due to previous year's severance policies
Salaries and benefits	\$ 1,665,456	
5010 - Staff Support	\$ 215,200	Plan to continue to reduce IT support following migration to Azure
5210 - Postage	\$ 750	Based upon previous year expenses and reduction of mailed documentation
5310 - Telephone - Mobile	\$ 8,400	Anticipate new contract
5320 - Telephone	\$ 30,945	Anticipate new contract
5420 - Equipment Leasing	\$ 22,946	Contracts
5430 - Office Supplies	\$ 600	Based on previous expenses
5431 - Office Maintenance	\$ 605	Based on previous expenses
5510 - General Insurance	\$ 94,302	Assumption of reduction in D&O insurance
5520 - Taxes - Other	\$ 2,770	Based on previous
5660 - Miscellaneous	\$ 380	Based on previous
5710 - American Express Merchant	\$ 8,400	Based on previous
5725 - Bank Fees	\$ 18,239	Past performance indicator
5950 - Computer Maintenance & Fee	\$ 84,224	Past performance indicator
6710 - Dues & Subscriptions	\$ 700	Past performance indicator
6740 - Public Relations	\$ 30,000	Reduce need for PR
6755 - Principal fees	\$ 33,001	Current contracted amount
6800 - Technology Consulting Support	\$ 12,123	Past performance indicator
Administration		
6610 - Legal Fees	\$ 200,000	Past performance indicator
6620 - Accounting & Audit	\$ 38,100	Current contracted amount
6730 - IT Management Fees	\$ 39,279	Past performance indicator
8010 - Legal Litigation	\$ 180,000	Past performance indicator
Legal/Accounting/IT Management		
6250 - Annual Meeting	\$ 125,000	Past performance indicator
6225 - February Policy Meeting	\$ 30,000	Past performance indicator
6220 - December Meeting	\$ 25,000	Past performance indicator
6230 - April Meeting	\$ 35,000	Past performance indicator
6210 - August Meeting	\$ 25,000	Past performance indicator
6242 - IRC Meeting - November	\$ 10,000	Past performance indicator
6240 - IRC Meeting - March	\$ 10,000	Past performance indicator
6241 - IRC Meeting - July	\$ 10,000	Past performance indicator
5460 - Offsite Storage	\$ 4,500	Past performance indicator
5900 - Rent	\$ 253,179	5 year lease
6150 - T&E President	\$ 14,000	Past performance indicator
5800 - Visit Expenses	\$ 394,310	Past performance indicator
6430 - Workshop Exp: Accred	\$ 5,000	Past performance indicator
Total Expenses	\$ 3,627,409	
Total Profit/Loss	\$ (807,358)	

Account Code	Budget FY 2023 (Review and reforecast 12/19, 2/20, 4/20, 12/20, 2/21, 4/21, 12/22) (2/22 - review and present draft to BOD) (4/22 - review and present final to BOD)	
4100-ACICS Sustaining Fees	\$ 1,067,495	Assumption takes into account an increase in sustaining fees, an increase in tuition revenue, and the addition of new members.
4190-CHANGE MISSION STATEMENT	\$ 1,200	Assumption is to have two additional applications from previous year.
4193-CONTRACT OR PARTNERSHIP	\$ 1,500	Assumption is to have no additional applications from previous year.
4194-PROGRAM START EXTENSION	\$ 2,250	Assumption is to have three additional applications from previous year.
4205-AIBC - Branch Campus App	\$ 18,000	Assumption is to have six branch campus applications.
4206-BTF_Reclass Branch to Main	\$ 15,000	Assumption is to have six applications.
4210-AILS - Learning Site App	\$ 10,000	Assumption is to have one additional learning site application from the previous year.
4220-NG - New Grant	\$ 87,500	Numbers are based on the scheduled institutions scheduled for a renewal grant each year.
4226-BTF - NG Program Fee	\$ 45,000	Same as above
4227-NG - Learning Site Surcharge	\$ 12,500	Same as above
4230-CO_ML - Change of Ownership	\$ 30,000	Assumption for one additional COO application.
4235-CNA - Change of Name	\$ 2,400	Assumption for one additional CON application
4236-CLA - Change of Location	\$ 4,000	Assumption for one additional COL application
4239-PA_NSCL - Non Sub	\$ 30,000	Assumption is a 15% increase in applications
4240-PA_FL - New Program All Locations	\$ 100,000	Assumption is a 25% increase in applications
4242-DEA_FL - Distance Ed	\$ 23,000	Assumption is five applications over previous year.
4245-HF_ARB - Appeal to Review Board	\$ 20,000	Assumption is four two appeals to the review board
4248-NCST - Non Credit Short Term	\$ 4,500	Assumption is three additional applications
4249-PA_FL - Clock to Credit Hour	\$ 3,328	Assumption is 10% increase in applications over previous year
4260-HF_PA - Hearing In Person	\$ 40,000	Assumption is for one additional in person hearing
4265-HF_IW - Hearing in Writing	\$ 40,000	Assumption is for two additional in writing hearings
4700-LATE_FEE - AFR Late Fee	\$ 11,000	Assumption based on modest increase in membership is one additional late fee assessment.
4705-AIR_FEE - CAR Late Fee	\$ 8,000	Assumption based on modest increase in membership is one additional late fee assessment.
4707-APPEAL_CAR_REVISION	\$ 22,500	Assumption is for five additional revision requests
4800-FALL VISIT CYCLE	\$ 441,662	Assumption based on anticipated team compositions for scheduled renewal visits
4800-SPRING VISIT CYCLE	\$ 316,246	Assumption based on anticipated team compositions for scheduled renewal visits
4800-WINTER VISIT CYCLE	\$ 361,360	Assumption based on anticipated team compositions for scheduled renewal visits
Annual Meeting	\$ 225,000	Assumption based on building up attendance at annual professional development workshop and annual meeting.
Initial Applications -	\$ 210,000	
Initial Resource Visits -	\$ 36,000	Assumption based on 12 initial applications
Preliminary Visits -	\$ 60,000	Assumption based on 20 preliminary visits
4540 - Wrkshp- Initial Accreditation	\$ 39,600	Assumption based on 40 attendees annually
4550 - Wrkshp-Renewal Accreditation	\$ 38,350	Assumption based on 65 attendees annually
Other Workshops	\$ 40,000	We intend to resurrect our institutional workshops, ie. CEP, placement/retention, etc. in both webinar and in-person
Total Income	\$ 3,367,390	

Account Code	Budget FY 2023 (Review and reforecast 12/19, 2/20, 4/20, 12/20, 2/21, 4/21, 12/22) (2/22 - review and present draft to BOD) (4/22 - review and present final to BOD)		
	5000 - Salaries & Wages	\$ 1,326,925	Assumes a 3% COL increase
	5030 - Retirement Plan	\$ 66,346	Assumes a 3% contribution to 401a
	5040 - Health Insurance	\$ 207,014	Assumes a 3% policy increase
5050 - Life Insurance	\$ 9,588	Assumes a 3% policy increase	
5060 - Dental Insurance	\$ 16,493	Assumes a 3% policy increase	
5070 - Payroll Taxes	\$ 85,450	Assumes a 3% policy increase	
5080 - State Unemployment Insuran	\$ 3,500	Anticipate drop in line item due to previous year's severance policies	
Salaries and benefits	\$ 1,715,315		
5010 - Staff Support	\$ 205,200	Plan to continue to reduce IT support following migration to Azure	
5210 - Postage	\$ 750	Based upon previous year expenses and reduction of mailed documentation	
5310 - Telephone - Mobile	\$ 8,400	Anticipate new contract	
5320 - Telephone	\$ 30,945	Anticipate new contract	
5420 - Equipment Leasing	\$ 22,946	Contracts	
5430 - Office Supplies	\$ 600	Based on previous expenses	
5431 - Office Maintenance	\$ 605	Based on previous expenses	
5510 - General Insurance	\$ 94,302	Assumption of reduction in D&O insurance	
5520 - Taxes - Other	\$ 2,770	Based on previous	
5660 - Miscellaneous	\$ 380	Based on previous	
5710 - American Express Merchant	\$ 8,400	Based on previous	
5725 - Bank Fees	\$ 18,239	Past performance indicator	
5950 - Computer Maintenance & Fee	\$ 79,224	Past performance indicator	
6710 - Dues & Subscriptions	\$ 700	Past performance indicator	
6740 - Public Relations	\$ 20,000	Reduce need for PR	
6755 - Principal fees	\$ 33,001	Current contracted amount	
6800 - Technology Consulting Support	\$ 12,123	Past performance indicator	
Administration			
6610 - Legal Fees	\$ 200,000	Past performance indicator	
6620 - Accounting & Audit	\$ 38,100	Current contracted amount	
6730 - IT Management Fees	\$ 39,279	Past performance indicator	
8010 - Legal Litigation	\$ 160,000	Past performance indicator	
Legal/Accounting/IT Management			
6250 - Annual Meeting	\$ 125,000	Past performance indicator	
6225 - February Policy Meeting	\$ 30,000	Past performance indicator	
6220 - December Meeting	\$ 25,000	Past performance indicator	
6230 - April Meeting	\$ 35,000	Past performance indicator	
6210 - August Meeting	\$ 25,000	Past performance indicator	
6242 - IRC Meeting - November	\$ 10,000	Past performance indicator	
6240 - IRC Meeting - March	\$ 10,000	Past performance indicator	
6241 - IRC Meeting - July	\$ 10,000	Past performance indicator	
5460 - Offsite Storage	\$ 4,500	Past performance indicator	
5900 - Rent	\$ 260,775	5 year lease	
6150 - T&E President	\$ 14,000	Past performance indicator	
5800 - Visit Expenses	\$ 447,707	Past performance indicator	
6430 - Workshop Exp: Accred	\$ 5,000	Past performance indicator	
Total Expenses	\$ 3,693,260		
Total Profit/Loss	\$ (325,869)		

Your Account Number [REDACTED]
November 1, 2019 to November 30, 2019

Account Statement

Accrediting Council For Independent
Colleges And Schools
c/o Michelle Edwards, Executive Dir.
750 First Steet, Ne Suite 980
Washington, DC 20002

Accrediting Council for Independent Colleges and Schools (Acics)
Investment Management Account

BMO Harris Bank N.A.

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

Mary Koch [REDACTED]

Dave Keller [REDACTED]

Kristen House [REDACTED]

Personal Service Team [REDACTED]

It is important for you to review the data reported in this statement. If you have any questions, please contact a member of your Client Strategy Team.

Change in the Value of Your Account	3
Realized Gain and Loss Summary	3
Income Summary	3
Summary of Your Assets	4
Your Bond Maturity Schedule	5
Summary of Sectors	6
Details of Assets in Your Account	7
Your Account Activity	15



Visit: wealth.bmoharris.com/insights

To find the latest market and economic updates.