

FINANCIAL STATEMENTS



ACCREDITING COUNCIL FOR CONTINUING EDUCATION & TRAINING

**FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

ACCREDITING COUNCIL FOR CONTINUING EDUCATION AND TRAINING

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Accrediting Council for Continuing Education and Training
Washington, D.C.

We have audited the accompanying financial statements of the Accrediting Council for Continuing Education and Training (the Council), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and change 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of December 31, 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.

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Report on Summarized Comparative Information

We have previously audited the Council's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

May 22, 2018

ACCREDITING COUNCIL FOR CONTINUING EDUCATION AND TRAINING

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 139,832	\$ 10,108
Investments	2,358,146	2,306,710
Accounts receivable, net of allowance for doubtful accounts of \$29,200 and \$0 for 2017 and 2016, respectively	962,655	1,074,123
Prepaid expenses	<u>139,419</u>	<u>81,633</u>
Total current assets	<u>3,600,052</u>	<u>3,472,574</u>
FIXED ASSETS		
Land	296,000	296,000
Building	1,308,191	1,269,546
Furniture	316,568	313,993
Computer database	<u>578,894</u>	<u>504,286</u>
	2,499,653	2,383,825
Less: Accumulated depreciation and amortization	<u>(1,160,579)</u>	<u>(1,068,989)</u>
Net fixed assets	<u>1,339,074</u>	<u>1,314,836</u>
TOTAL ASSETS	<u>\$ 4,939,126</u>	<u>\$ 4,787,410</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 237,429	\$ 57,167
Accrued salaries and related benefits	152,061	136,296
Deferred revenue	<u>1,423,496</u>	<u>1,481,411</u>
Total current liabilities	<u>1,812,986</u>	<u>1,674,874</u>
NET ASSETS		
Unrestricted:		
Undesignated	3,116,140	3,102,536
Board designated	<u>10,000</u>	<u>10,000</u>
Total net assets	<u>3,126,140</u>	<u>3,112,536</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,939,126</u>	<u>\$ 4,787,410</u>

ACCREDITING COUNCIL FOR CONTINUING EDUCATION AND TRAINING

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>Unrestricted</u>			<u>2016</u>
	<u>2017</u>		<u>Total</u>	
	<u>Undesignated</u>	<u>Board Designated</u>		
REVENUE				
Sustaining fees	\$ 1,096,693	\$ -	\$ 1,096,693	\$ 1,069,288
Examination fees	1,746,956	-	1,746,956	1,141,857
Application fees	398,536	-	398,536	262,002
Processing and other fees	115,825	-	115,825	104,377
Conference, workshops and seminars	309,832	-	309,832	225,404
Investment income	<u>73,812</u>	<u>-</u>	<u>73,812</u>	<u>70,043</u>
Total revenue	<u>3,741,654</u>	<u>-</u>	<u>3,741,654</u>	<u>2,872,971</u>
EXPENSES				
Program Services:				
Council Meetings and Exam Visits	3,105,830	-	3,105,830	2,457,309
Conventions and Workshops	280,302	-	280,302	237,720
Systems/Network Management	<u>145,907</u>	<u>-</u>	<u>145,907</u>	<u>136,989</u>
Total program services	<u>3,532,039</u>	<u>-</u>	<u>3,532,039</u>	<u>2,832,018</u>
Supporting Services:				
General and Administrative	<u>196,011</u>	<u>-</u>	<u>196,011</u>	<u>135,925</u>
Total expenses	<u>3,728,050</u>	<u>-</u>	<u>3,728,050</u>	<u>2,967,943</u>
Change in net assets	13,604	-	13,604	(94,972)
Net assets at beginning of year	<u>3,102,536</u>	<u>10,000</u>	<u>3,112,536</u>	<u>3,207,508</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,116,140</u>	<u>\$ 10,000</u>	<u>\$ 3,126,140</u>	<u>\$ 3,112,536</u>

ACCREDITING COUNCIL FOR CONTINUING EDUCATION AND TRAINING

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 13,604	\$ (94,972)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	91,590	87,820
Unrealized gain on investments	(23,214)	(26,383)
Realized gain on investments	(7,814)	(96)
Change in allowance for doubtful accounts	29,200	-
(Increase) decrease in:		
Accounts receivable	82,268	(59,582)
Prepaid expenses	(57,786)	(32,775)
Increase (decrease) in:		
Accounts payable and accrued liabilities	180,262	(5,866)
Accrued salaries and related benefits	15,765	65,487
Deferred revenue	<u>(57,915)</u>	<u>121,941</u>
Net cash provided by operating activities	<u>265,960</u>	<u>55,574</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(115,828)	(108,388)
Purchase of investments	(371,222)	(390,366)
Sales of investments	<u>350,814</u>	<u>353,000</u>
Net cash used by investing activities	<u>(136,236)</u>	<u>(145,754)</u>
Net increase (decrease) in cash and cash equivalents	129,724	(90,180)
Cash and cash equivalents at beginning of year	<u>10,108</u>	<u>100,288</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 139,832</u>	<u>\$ 10,108</u>

ACCREDITING COUNCIL FOR CONTINUING EDUCATION AND TRAINING

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Accrediting Council for Continuing Education and Training (the Council) is a non-profit organization, incorporated and located in the District of Columbia. The Council was founded in 1974 for the purpose of improving continuing education and training and has been officially recognized by the U.S. Department of Education since 1978 as a "reliable authority" as to the quality of education and training provided by the institutions they accredit.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Cash and cash equivalents -

The Council considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Council maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable.

ACCREDITING COUNCIL FOR CONTINUING EDUCATION AND TRAINING

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Impairment of long-lived assets (continued) -

When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

The Council is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Council is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2017, the Council has documented its consideration of FASB ASC 740-10, Income Taxes, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Deferred revenue -

Deferred revenue consists of sustaining fees, examination fees, and conference, workshops, and seminars registrations. The Council recognizes sustaining fees on a pro-rata basis over the membership period. The Council recognizes examination fees, conference, workshops, and seminars revenue when the related examination or event has occurred.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Council and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Council and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Council.

At December 31, 2017, the Council did not have any temporarily or permanently restricted net assets.

Contributed services -

The Council receives volunteers from member institutions who have donated their time in assisting with on-site examination team visits. Management has determined the value of these donated services do not meet the criteria for recognition as contributed services and has not reflected their value in the accompanying Statement of Activities and Change in Net Assets.

ACCREDITING COUNCIL FOR CONTINUING EDUCATION AND TRAINING

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

The Council invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

The Council adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Council accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Council's financial statements, it is not expected to alter the Council's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU 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.

ACCREDITING COUNCIL FOR CONTINUING EDUCATION AND TRAINING

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

New accounting pronouncements (not yet adopted) (continued) -

The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Council has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

The Council plans to adopt the new ASUs at the respective required implementation dates.

2. DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying financial statements:

Council Meetings and Exam Visits - The Council oversees three evaluation review cycles per year, during which various accreditation processing activities ensue, with on-site examination team visit reports of initial applicant and current member institutions serving as the core evaluation for their judgment of each institution’s compliance with the Council standards relative to objectives, resources, programs, policies and outcomes of the education and training offered.

Conventions and Workshops - The Council holds one convention each year and several workshops throughout the year that are designed to provide knowledge about the accreditation process and other relevant information about the industry.

Systems/Network Management - The Council has undertaken a major database upgrade, referred to as the Accreditation Management System (AMS), which incorporates upgraded functional efficiencies and effectiveness in all the major process areas, including institutional reporting and records, application submissions, on-site visit and Commission meeting preparations, workshop and conference registrations, and credit card processing.

General and Administrative - General and administrative costs are those that are not identifiable with a single program but that are indispensable to the conduct of those activities. They include oversight, business management, record keeping, budgeting and related administrative activities.

3. INVESTMENTS

Investments consisted of the following at December 31, 2017:

	<u>Fair Value</u>
Certificates of deposit	\$ 1,764,934
Mutual funds	372,606
Exchange traded funds and closed-end funds	<u>220,606</u>
TOTAL INVESTMENTS	<u>\$ 2,358,146</u>

ACCREDITING COUNCIL FOR CONTINUING EDUCATION AND TRAINING

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

3. INVESTMENTS (Continued)

Included in investment income are the following for the year ended December 31, 2017:

Interest and dividends	\$ 42,784
Unrealized gain	23,214
Realized gain	<u>7,814</u>
TOTAL INVESTMENT INCOME	<u>\$ 73,812</u>

4. BOARD DESIGNATED NET ASSETS

As of December 31, 2017, net assets have been designated by the Board of Trustees for the following purposes:

Capital Improvements	<u>\$ 10,000</u>
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5. RETIREMENT PLAN

The Council offers participation in a 403(b) retirement plan with TIAA-CREF for eligible employees. The Plan provides for matching contributions by the Council at its discretion which, at present, is 50% of each employee's contribution. Employee contributions may not exceed 10% of each employee's gross annual salary. Employee eligibility in the plan is attained after 90 days of service with the Council. Contributions to the Plan during the year ended December 31, 2017 totaled \$64,118.

6. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Council has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Council has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

ACCREDITING COUNCIL FOR CONTINUING EDUCATION AND TRAINING

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

6. FAIR VALUE MEASUREMENT (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2017.

- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Council are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value and to transact at that price. Mutual funds held by the Council are deemed to be actively traded.
- *Exchange traded and closed-end funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, the Council's investments as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Certificates of deposit	\$ -	\$ 1,764,934	\$ -	\$ 1,764,934
Mutual funds	372,606	-	-	372,606
Exchange traded and closed-end funds	<u>220,606</u>	<u>-</u>	<u>-</u>	<u>220,606</u>
TOTAL	<u>\$ 593,212</u>	<u>\$ 1,764,934</u>	<u>\$ -</u>	<u>\$ 2,358,146</u>

7. SUBSEQUENT EVENTS

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through May 22, 2018, the date the financial statements were issued.