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 accredditor 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 accredditor 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 accredditors. 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

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

Connecticut
American Institute of Healthcare & Technology, Stratford
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, Utter Pradesh
Universidad San Ignacio De Loyola S.A., Lima
Universidad San Ignacio Loyola, Lima
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Independent Auditors’ Report

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

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

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Report on Supplementary Information

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

Report on Summarized Comparative Information

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

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)

<table>
<thead>
<tr>
<th>Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 694,808</td>
<td>$ 1,163,823</td>
</tr>
<tr>
<td>Accounts Receivable, Net</td>
<td>17,205</td>
<td>105,330</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>257,543</td>
<td>259,090</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>969,556</td>
<td>1,528,243</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td>11,322,496</td>
<td>12,146,205</td>
</tr>
<tr>
<td><strong>Property and Equipment, Net</strong></td>
<td>1,337,933</td>
<td>1,649,460</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>11,273</td>
<td>11,273</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 13,641,258</td>
<td>$ 15,335,181</td>
</tr>
</tbody>
</table>

| 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      | 3,647      | 13,436     |
| **Total Current Liabilities**       | 512,504    | 744,034    |
| **Long-Term Liabilities**           |            |            |
| Deferred Rent, Noncurrent Portion   | -          | 3,647      |
| **Total Liabilities**               | 512,504    | 747,681    |
| **Net Assets**                      |            |            |
| Unrestricted                        | 13,128,754 | 14,587,500 |
| **Total Liabilities and Net Assets**| $ 13,641,258 | $ 15,335,181 |

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)

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

See accompanying Notes to Financial Statements.
<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Unrestricted Net Assets</td>
<td>$ (1,458,746)</td>
<td>$ (1,125,191)</td>
</tr>
<tr>
<td>Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Used in Operating Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>495,135</td>
<td>644,827</td>
</tr>
<tr>
<td>Gain on Investments</td>
<td>(755,167)</td>
<td>(1,274,982)</td>
</tr>
<tr>
<td>Loss on Disposal of Property and Equipment</td>
<td>-</td>
<td>384</td>
</tr>
<tr>
<td>Decrease in Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>88,125</td>
<td>1,257,817</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>1,547</td>
<td>54,401</td>
</tr>
<tr>
<td>(Decrease) Increase in Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable and Accrued Expenses</td>
<td>(135,852)</td>
<td>(213,667)</td>
</tr>
<tr>
<td>Accrued Compensation</td>
<td>(99,129)</td>
<td>(499,672)</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>13,240</td>
<td>(35,267)</td>
</tr>
<tr>
<td>Deferred Rent</td>
<td>(13,436)</td>
<td>(64,933)</td>
</tr>
<tr>
<td>Net Cash Used in Operating Activities</td>
<td>(1,864,283)</td>
<td>(1,256,283)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Investing Activities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of Investments</td>
<td>(2,602,594)</td>
<td>(3,158,469)</td>
</tr>
<tr>
<td>Sales of Investments</td>
<td>4,181,470</td>
<td>4,739,446</td>
</tr>
<tr>
<td>Purchases of Furniture and Equipment</td>
<td>(183,608)</td>
<td>(368,048)</td>
</tr>
<tr>
<td>Net Cash Provided by Investing Activities</td>
<td>1,395,268</td>
<td>1,212,929</td>
</tr>
</tbody>
</table>

| Net Decrease in Cash and Cash Equivalents | 469,015 | 43,354 |
| Cash and Cash Equivalents, Beginning of Year | 1,163,823 | 1,207,177 |
| Cash and Cash Equivalents, End of Year | $ 694,808 | $ 1,163,823 |

See accompanying Notes to Financial Statements.
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.
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.
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.
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:

<table>
<thead>
<tr>
<th>Item</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and Fixtures</td>
<td>$3,828,656</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td></td>
</tr>
<tr>
<td>Artwork</td>
<td>4,006</td>
</tr>
<tr>
<td>Less Accumulated Depreciation</td>
<td>4,388,539</td>
</tr>
</tbody>
</table>
<pre><code>                                                   |             |
</code></pre>
<p>| Total                        | $1,337,933  |</p>

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:

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

- 11 -
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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and Dividends</td>
<td>$281,272</td>
</tr>
<tr>
<td>Realized Gains</td>
<td>$367,003</td>
</tr>
<tr>
<td>Unrealized Gains</td>
<td>$106,892</td>
</tr>
<tr>
<td><strong>Net Investment Income</strong></td>
<td><strong>$755,167</strong></td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$452,187</td>
</tr>
</tbody>
</table>

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.
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
## Schedule of Functional Expenses
For the Year Ended June 30, 2018

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

$ 1,861,918  $ 1,379,884  $ 2,952,622  $ 6,194,424