Dear ACICS Members,

Serving as chair of the Council and the ACICS Board of Directors has been an honor as well as a challenge as the future of ACICS continues to be filled with uncertainties. After two delays from the Department of Education regarding our recognition as an accreditor, we are again awaiting a decision from the Secretary.

My term as chair of the Council began in January of this year after my appointment as a public member in 2016. I have over 30 years of experience in career education as well as extensive experience with ACICS as an elected commissioner (1984-1991), an ACICS team member and over 10 years as a team chair. Without a doubt, the denial of recognition by the U.S. Department of Education, December 2016 created one of the most difficult times in our organization’s history.

On March 23, 2018, Judge Walton ruled that the Department violated the Administrative Procedures Act by “failing to consider various categories of relevant evidence” in its decision to withdraw recognition of ACICS as a nationally-recognized accreditor. The case was remanded back to the Secretary of Education. During this time, all ACICS accredited institutions were faced with finding a new accreditor. Meanwhile, ACICS has implemented numerous positive changes designed to address multiple challenges and, in doing so, strengthen the accreditation process.

The following is a brief review of the challenges we all face in our effort to rebuild the Accrediting Council for Independent Colleges and Schools.

- Responding to the Secretary’s request for additional information, in response to the judicial remand, required ACICS to provide clarification on how we address the 21 criteria cited in the Secretary’s decision as well as additional information to demonstrate current compliance with the recognition criteria. The ACICS response was a massive undertaking combining previous findings, previous responses, and new information. We believe the submission clearly shows adherence by ACICS to the Department criteria with well documented exhibits demonstrating compliance. The final response was submitted to the Department of Education Office of Hearing and Appeal on May 30th. A decision on the ACICS petition was first scheduled for July 30, 2018 but has since been delayed to September 4 and most recently until September 28. We believe there are three possible outcomes: full recognition by the Department of Education; continued recognition but with a compliance warning requiring ACICS to come into full compliance within a defined period of time; or denial. As ACICS President Michelle Edwards said at the time of the submission, “[we] feel that we have appropriately covered all of the areas of non-compliance from 2016 report.”

- The second challenge is rebuilding the organization both in terms of number of institutions accredited and in quality of results delivered. During the past two years, the Council has taken several actions to implement many meaningful reforms designed to address concerns, strengthen the accreditation process and, ultimately, enhance our ability to hold schools accountable for meaningful student outcomes. One of the most meaningful reforms relates to student achievement and efforts to verify employment placements. A core belief that guided our work is that ACICS should be able to trust placement data submitted to it by schools but must also be able to verify that data given its critical importance to the mission of the schools it accredits. Traditionally, ACICS had a process for analyzing and reviewing that data. However, as history has shown, that process was not adequate to detect “on the back end” all errors in data submission that had occurred. In response, ACICS has developed a new Placement Verification Program (PVP) system to strengthen the oversight of placement rate data submissions at the “front end” in a manner that leverages technology and data analytics as an ally. Additional
information about the new PVP system is detailed in this Annual Report and I strongly encourage readers to review the information and learn more about this important initiative.

- The third challenge is internal. Looking to the future, we believe ACICS meets the criteria to be recognized as a national accreditor and we hope to receive a decision from the Secretary that reflects that assessment. With that in mind, we must make sure ACICS is positioned to rebuild for a strong future. This will include ensuring the organization has adequate staff and well qualified team members to operate effectively, efficiently and with an understanding of the importance of accreditation. It will also require administrators, owners and other employees of the institutions accredited by ACICS to do your part – to assure quality education and training for your students while operating within the requirements of ACICS Criteria. If this is done, for profit career colleges – and the students who entrust us with their education – will be well positioned to continue to play an important role in our communities and our nation.

In order to fulfill our mission to the schools we accredit – and by extension, to their students – the Council must have capable leadership at the helm – both in terms of Council members as well as the management and staff in Washington. ACICS made significant as necessary changes when we selected Michelle Edwards to lead the organization as president and CEO beginning August 2017 following the interim president, Roger Williams. Prior to assuming her new position, Ms. Edwards was serving as chair of the Council since January 2017 and was employed in a member institution. She is tireless in her work to reestablish Department of Education recognition while working to rebuild ACICS internally. I am confident that ACICS has the right fundamental elements in place to implement current and future reforms that will position the organization to become, over time, a leader among accreditors.
Student Achievement Update
As an accrediting agency recognized by the U.S. Department of Education, ACICS must demonstrate that it has standards that are rigorous enough to ensure that that the agency is a reliable authority regarding the quality of the education or training provided by the schools it accredits, including with respect to success in placing students in positions for which their career focused programs prepare them. 34 C.F.R. § 602.16(a)(1)(i). Further, ACICS must demonstrate that it not only has such standards, but that the agency is effective in its application of the standard to member schools. ACICS understands that this demonstration is critical not just to the Department, but to students, schools, states, taxpayers and the accrediting system as a whole.

The Accreditation Criteria, 2-1-809 (Student Achievement Review), provides that the Council reviews the Campus Accountability Report (CAR) to monitor performance in terms of student achievement at both the campus and program levels, including placement rates. When this review indicates that the achievement of an institution’s students is below benchmark, the Council will take action consistent with the guidelines outlined in Appendix L, Student Achievement Standards and Campus Accountability Reports.

ACICS should be able to trust placement data submitted to it by schools but must also be able to verify that data given its critical importance to the mission of the schools it accredits. Traditionally, ACICS had a process for analyzing and reviewing that data. However, as history has shown, that process was not adequate to detect “on the back end” all errors in data submission that had occurred. The development of the ACICS Placement Verification Program (PVP) system is the result of a mission-critical initiative of this agency to strengthen the oversight of placement rate data submissions at the “front end” in a manner that leverages technology and data analytics as an ally.

Introduction of the ACICS Placement Verification Program (PVP)

The PVP relies on a custom-built application to facilitate the submission and review of graduate placement information submitted by ACICS member schools. Hosted in Amazon’s cloud, the application is web-based and provides a user-friendly process for the submission of placement information for verification by the graduate and/or the employer directly prior to validation by the ACICS review team.

The value of the system hinges on the direct contact made through the system with the graduate and/or employer to validate the accuracy of the placement information provided by campuses and reported to ACICS. To prevent abuse, the respondent’s IP address is captured at that time and compared against that of the submitter. This information is extremely important as it gives the location of the submitter and responders. An IP address is a 32-bit number that uniquely identifies a host on the internet (in this case). For example, the expectation is that the submitter’s IP address is located within the campus. The responder’s IP address should not be an exact match or within the same network (the first six numbers of the IP address) unless the graduate is placed at the campus. The PVP system also keeps these IP addresses in its database and a report is generated if the responder’s IP already exists in the database.

The objective of the system is to strengthen the integrity, reliability, and accuracy of the placement information reported and published by ACICS-accredited institutions to all stakeholders.

Almost two years ago ACICS launched the Placement Verification Program (PVP) to strengthen the integrity, reliability, and accuracy of the placement information reported and published by ACICS-accredited institutions to all stakeholders.

To date, 94,550 placements have been submitted by 791 unique ACICS IDs. For context, this number includes institutions that are no longer part of the ACICS membership, as well as verifications conducted outside of the annual campus review periods for various purposes.
As a ground-breaking placement verification process in the career education industry, the learning curve has been tremendous for both member institutions as well as ACICS. Being cognizant of that learning curve, ACICS regularly reviews the system to identify areas in need of improvement, how the system can be strengthened, and other opportunities to incorporate the system into the accreditation process to hold the agency and the institutions accountable.

Following the annual submission of the CAR in November, and now on a daily basis for the quarterly report, CAR/PVP error reports are generated by the system to capture, for follow up, those graduates that have been classified as placed but not recorded as a valid placement in the PVP. In these instances, ACICS staff provides the campus with the errors via email and time is given to allow the campus to make the necessary corrections to the report. The Council has taken a conditioning action (Show-cause Directive) against a campus that did not correct such errors as it called into question the integrity of the data submitted to ACICS.

**Application of the PVP to Accreditation Review**

1. **Student Achievement Outcomes Evaluation**

The 2017 CAR was the first annual report that included placement information that was linked directly to the PVP. Campuses were advised in various communication about the relationship and their inability to categorize any graduate as placed on the CAR who was not verified and validated in the PVP system. Based on an internal review of PVP submissions and Council actions, there was a direct correlation between the PVP and the placement data on the CAR.

For this reporting period, the Council withdrew the accreditation of two institutions and the approval of three campuses from within the accredited status of their institution for placement outcomes. More than 20 institutions were directed to show-cause why their accreditation, or the continued approval of a campus, should not be withdrawn. With compliance warning being a conditioning action, more than 30 campuses were warned that their underperformance in placement could result in the loss of accreditation and immediate improvements were needed.

Further, more than 500 programs were withdrawn, show-caused, or placed on compliance warning following the Council’s review of the 2017 CAR data which were based on the PVP system.

2. **Placement Outcomes for the Consideration of Substantive Changes**

The Executive Committee, which serves as the Council’s substantive change committee, considers placement information submitted to, and validated in the PVP, as part of its review of substantive change applications. Campuses that are unable to demonstrate success in placing students, as verified by the student/graduate and validated by ACICS, in other programs or similar programs at a lower credential, the Committee will either defer action pending receipt of updated PVP information or deny application if the campus is unable to evidence substantive success in this area.

3. **Complaint Reviews**

Complaints that are received from students, former students, or graduates concerning the provision of placement services include the review of PVP submissions as part of ACICS’ investigation of the merit of the complaint.
PVP and CAR Data Reviewed

The last two years of PVP data is listed below:

<table>
<thead>
<tr>
<th></th>
<th>July 1, 2017 – June 30, 2018</th>
<th>July 1, 2016 – June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Placements submitted</td>
<td>45,798</td>
<td>48,752</td>
</tr>
<tr>
<td>Number validated</td>
<td>39,139</td>
<td>41,044</td>
</tr>
<tr>
<td>Number invalid</td>
<td>2,164</td>
<td>2,368</td>
</tr>
<tr>
<td>Number contested</td>
<td>5,290</td>
<td>340</td>
</tr>
<tr>
<td>Successfully contested</td>
<td>2,794</td>
<td>132</td>
</tr>
<tr>
<td>Number responded</td>
<td>39,441</td>
<td>42,564</td>
</tr>
<tr>
<td>Response rate by grad</td>
<td>29,244</td>
<td>30,906</td>
</tr>
<tr>
<td>Response rate by employer</td>
<td>18,219</td>
<td>22,725</td>
</tr>
<tr>
<td>Average response rate</td>
<td>86%</td>
<td>87%</td>
</tr>
</tbody>
</table>

As previously stated the PVP data is used to verify that all placements submitted to Campus Accountability Report (CAR) have been verified by ACICS staff. The results of the 2017 CAR report are as follows:

<table>
<thead>
<tr>
<th>Program type</th>
<th>Placement</th>
<th>Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bachelor’s Degree</td>
<td>67%</td>
<td>80%</td>
</tr>
<tr>
<td>Academic Associate Degree</td>
<td>60%</td>
<td>71%</td>
</tr>
<tr>
<td>Master’s Degree</td>
<td>80%</td>
<td>84%</td>
</tr>
<tr>
<td>Occupational Associate Degree</td>
<td>64%</td>
<td>78%</td>
</tr>
<tr>
<td>Certificate/Diploma</td>
<td>63%</td>
<td>75%</td>
</tr>
<tr>
<td>Certificate</td>
<td>72%</td>
<td>81%</td>
</tr>
</tbody>
</table>
Member Institutions (as of 8/2018)
Alabama
Fortis Institute, Birmingham
Virginia College, Birmingham
Virginia College, Huntsville
Virginia College, Mobile
Virginia College, Montgomery

Arizona
Golf Academy of America, Chandler
Art Institute of Phoenix, Phoenix
UEI College, Phoenix

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
Brightwood College, Bakersfield
Brightwood College, Chula Vista
Brightwood College, Clovis
Brightwood College, Palm Springs
Brightwood College, Riverside
Brightwood College, Sacramento
Brightwood College, Salida
Brightwood College, San Diego
Brightwood College, Van Nuys
Brightwood College, Vista
California Aeronautical University, Bakersfield
California Institute of Advanced Management, Alhambra
California International Business University, San Diego
California Miramar University, San Diego
California University of Management and Sciences, Anaheim
Coleman University, San Diego
Empire College, Santa Rosa
Golf Academy of America, Carlsbad
Laurus College, Oxnard
Laurus College, San Luis Obispo
Lincoln University, Oakland

California (Continued)
MERIT UNIVERSITY, Los Angeles
Nobel University, Los Angeles
Nobel University - Buena Park, Buena Park
Northwestern Polytechnic University, Fremont
Pacific States University, Los Angeles
Professional Golfers Career College, Temecula
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

Colorado
Ecotech Institute, Aurora

Connecticut
Harris School of Business, Danbury
Branford Hall Career Institute, Southington
American Institute of Healthcare & Technology, Stratford

District of Columbia
BAU International University, Washington
Inter-American Defense College, Washington

Florida
American College For Medical Careers, Orlando
Art Institute of Fort Lauderdale, Fort Lauderdale
Bethesda College of Health Sciences, Boynton Beach
College of Business & Technology, Cutler Bay
College of Business & Technology, Hialeah
College of Business & Technology, Miami
College of Business & Technology, Miami
East West College of Natural Medicine, Sarasota
Florida Career College, Orlando
Florida Career College - Boynton Beach, Boynton Beach
Florida

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
Fortis College, Orange Park
Golf Academy of America, Apopka
Gwinnett Institute, Orlando
Healing Hands Institute, Miami
Hope College of Arts & Sciences, Pompano Beach
Jose Maria Vargas University, Pembroke Pines
Lasalle Computer Learning Center, Inc., Tampa
Marconi International University, Inc., Miami
Miami Regional University, Miami Springs
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
The Digital Animation & Visual Effects School, Orlando
Unilatina International College, Miramar
Virginia College, Fort Pierce
Virginia College, Jacksonville
Virginia College, Pensacola

Georgia

Gwinnett College, Lilburn
Lincoln College of Technology, Marietta
Pacific Institute of Technology, Atlanta
Virginia College, Augusta
Virginia College, Columbus
Virginia College, Macon
Virginia College, Savannah

Illinois

National Latino Education Institute, Chicago

Indiana

Art Institute of Indianapolis, Indianapolis
Brightwood College, Hammond
Brightwood College, Indianapolis

Kentucky

Daymar College, Bowling Green
Sullivan College of Technology and Design, Louisville

Louisiana

Camelot College, Baton Rouge
Virginia College, Baton Rouge
Virginia College, Bossier City

Maryland

Brightwood College, Baltimore
Brightwood College, Beltsville
Brightwood College, Towson
Fortis College, Landover
Stratford University Baltimore Campus, Baltimore

Massachusetts

Branford Hall Career Institute, Springfield
Lincoln Technical Institute, Somerville
Salter College: A Private Two-Year College, LLC, West Boylston
Salter School, Malden

Georgia

Gwinnett College, Lilburn
Lincoln College of Technology, Marietta
Pacific Institute of Technology, Atlanta
Virginia College, Augusta
Virginia College, Columbus
Virginia College, Macon
Virginia College, Savannah

Minnesota

Academy College, Bloomington
Missouri
Bryan University, Springfield
Hickey College, Saint Louis
Metro Business College, Cape Girardeau
Metro Business College, Jefferson City
Metro Business College, Rolla

North Carolina
Brightwood College, Charlotte
Living Arts College @ School of Communication Arts, Raleigh
Living Arts Institute @ School of Communication Arts, Winston Salem
Virginia College, Greensboro

Nevada
Art Institute of Las Vegas, Henderson
Brightwood College, Las Vegas
Euphoria Institute of Beauty Arts & Sciences - Summerlin, Las Vegas
Southern States University - Las Vegas, NV, Las Vegas

Ohio
Brightwood College, Dayton
Daymar College, Columbus
Felbry College - School of Nursing, Columbus
Hondros College of Business, Westerville
Hondros College of Nursing, Fairborn
Hondros College of Nursing, Independence
Hondros College of Nursing, Maumee
Hondros College of Nursing, West Chester
Hondros College of Nursing, Westerville

New Hampshire
Salter School of Nursing & Allied Health, Manchester

New Jersey
Best Care College, East Orange
Eastwick College, Hackensack
Eastwick College, Nutley
Eastwick College, Ramsey
Harris School of Business, Cherry Hill
Harris School of Business, Linwood
Lincoln Technical Institute, Iselin
Lincoln Technical Institute, Moorestown
Lincoln Technical Institute, Paramus
Universal Training Institute, Perth Amboy

New York
Branford Hall Career Institute, Albany
Branford Hall Career Institute, Amityville
Branford Hall Career Institute, Bohemia
Cope Institute, Brooklyn
Emerging Technologies Institute, Forest Hills

Oklahoma
Virginia College, Tulsa

Oregon
Process Work Institute, Portland
Sumner College, Portland

Pennsylvania
Brightwood Career Institute, Broomall
Brightwood Career Institute, Harrisburg
Brightwood Career Institute, Philadelphia
Brightwood Career Institute, Pittsburgh
Consolidated School of Business, York
Fortis Institute, Erie
Harris School of Business, Upper Darby
Pittsburgh Career Institute, Pittsburgh
Puerto Rico
Atlantic University College, Guaynabo
EDIC College, Caguas
EDIC College, Carolina
EDIC College Bayamon, Bayamon
Humacao Community College, Humacao
National University College- IBC Institute, Aguadilla
National University College- IBC Institute, Arecibo
National University College- IBC Institute, Bayamon
National University College- IBC Institute, Caguas
National University College- IBC Institute, Carolina
National University College- IBC Institute, Fajardo
National University College- IBC Institute, Guayama
National University College- IBC Institute, Hatillo
National University College- IBC Institute, Mayaguez
National University College- IBC Institute, Moca
National University College- IBC Institute, Ponce
National University College- IBC Institute, San Juan
National University College- IBC Institute, Yauco
The Puerto Rico School of Nurse Anesthetists, Hato Rey
Trinity College of Puerto Rico, Ponce

South Dakota
Reagan National University, Sioux Falls

Tennessee
Brightwood College, Nashville
Daymar College, Clarksville
Daymar College, Murfreesboro
Daymar College, Nashville
Virginia College, Chattanooga
Virginia College, Knoxville
West Tennessee Business College, Jackson

Texas
Brightwood College, Arlington
Brightwood College, Beaumont
Brightwood College, Brownsville
Brightwood College, Corpus Christi
Brightwood College, Dallas
Brightwood College, El Paso
Brightwood College, Fort Worth
Brightwood College, Friendswood
Brightwood College, Houston
Brightwood College, Laredo
Brightwood College, McAllen
Brightwood College, San Antonio
Florida Career College - Houston, Houston
Golf Academy of America, Farmers Branch
Peloton College, Arlington
Peloton College, Dallas
Texas Health and Science University, Austin
Texas Health and Science University- San Antonio Campus Addition, San Antonio
Virginia College, Austin
Virginia College, Lubbock

Rhode Island
Lincoln Technical Institute, Lincoln

South Carolina
Forrest College, Anderson
Golf Academy of America, Myrtle Beach
Professional Golfers Career College-Hilton Head, Bluffton
Virginia College, Columbia
Virginia College, Florence
Virginia College, Greenville
Virginia College, North Charleston
Virginia College, Spartanburg

Utah
Broadview Entertainment Arts University, Salt Lake City
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 College, Richmond
Virginia International University, Fairfax

West Virginia

Mountain State College, Parkersburg

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
Financial Audit Report
(FY 2017)
ACCREDITING COUNCIL FOR INDEPENDENT COLLEGES AND SCHOOLS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2017
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**June 30, 2017**

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Independent Auditors’ Report

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

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

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

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

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

Opinion

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

Report on Supplementary Information

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

Report on Summarized Comparative Information

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

Bethesda, Maryland
Certified Public Accountants
December 1, 2017
### Statement of Financial Position

**June 30, 2017**

*(With Comparative Totals as of June 30, 2016)*

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

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)*

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

*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)

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Unrestricted Net Assets</td>
<td>$ (1,125,191)</td>
<td>$ (1,264,475)</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>644,827</td>
<td>808,346</td>
</tr>
<tr>
<td>(Gain) Loss on Investments</td>
<td>(1,274,982)</td>
<td>175,467</td>
</tr>
<tr>
<td>(Gain) Loss on Disposal of Property and Equipment</td>
<td>384</td>
<td>16,096</td>
</tr>
<tr>
<td>(Increase) Decrease in Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>1,257,817</td>
<td>74,290</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>54,401</td>
<td>(206,150)</td>
</tr>
<tr>
<td>Increase (Decrease) in Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable and Accrued Expenses</td>
<td>(213,667)</td>
<td>(42,647)</td>
</tr>
<tr>
<td>Accrued Compensation</td>
<td>(499,672)</td>
<td>(97,666)</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>(35,267)</td>
<td>(36,053)</td>
</tr>
<tr>
<td>Accrued Rent</td>
<td>(64,933)</td>
<td>(50,392)</td>
</tr>
<tr>
<td>Net Cash Used in Operating Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1,256,283)</td>
<td>(623,184)</td>
</tr>
</tbody>
</table>

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| (368,048)     | (795,594)     |
| Net Cash Provided by Investing Activities | 1,212,929    | 293,185       |

Net Decrease in Cash and Cash Equivalents

| Net Decrease in Cash and Cash Equivalents | (43,354)       | (329,999)   |
| Cash and Cash Equivalents, Beginning of Year | 1,207,177     | 1,537,176   |
| Cash and Cash Equivalents, End of Year   | $ 1,163,823    | $ 1,207,177 |

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, 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.
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.
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.
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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and Fixtures</td>
<td>$4,563,878</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>$555,877</td>
</tr>
<tr>
<td>Artwork</td>
<td>$4,006</td>
</tr>
</tbody>
</table>

\[
\text{Less Accumulated Depreciation and Amortization} = (3,474,301)
\]

\[
\text{Total} = 5,123,761 - 3,474,301 = 1,649,460
\]

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:

<table>
<thead>
<tr>
<th>Description</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 Investments</td>
<td>$183,614</td>
<td>$183,614</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>$3,450,833</td>
<td>-</td>
<td>$3,450,833</td>
<td>-</td>
</tr>
<tr>
<td>Corporate Bond Mutual Funds</td>
<td>$1,045,732</td>
<td>$1,045,732</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S. Equities</td>
<td>$4,002,794</td>
<td>$4,002,794</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S. Equity Mutual Funds</td>
<td>$1,452,552</td>
<td>$1,452,552</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>International Equities</td>
<td>$2,010,680</td>
<td>$2,010,680</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$12,146,205</td>
<td>$8,695,372</td>
<td>$3,450,833</td>
<td>$-</td>
</tr>
</tbody>
</table>

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.
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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and Dividends</td>
<td>$271,484</td>
</tr>
<tr>
<td>Realized Gains</td>
<td>$506,417</td>
</tr>
<tr>
<td>Unrealized Gains</td>
<td>$497,081</td>
</tr>
<tr>
<td><strong>Net Investment Income</strong></td>
<td><strong>$1,274,982</strong></td>
</tr>
</tbody>
</table>

   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:

<table>
<thead>
<tr>
<th>For the Years Ending June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
</tr>
<tr>
<td>2019</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

   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.
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
## Schedule of Functional Expenses
**For the Year Ended June 30, 2017**

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Supporting Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accreditation</td>
<td>Education</td>
<td>Management and General</td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>$1,197,725</td>
<td>$1,129,283</td>
<td>$1,095,063</td>
</tr>
<tr>
<td>Travel and Meals</td>
<td>1,010,934</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>225,689</td>
<td>212,793</td>
<td>206,345</td>
</tr>
<tr>
<td>Occupancy</td>
<td>267,304</td>
<td>252,029</td>
<td>244,392</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>165,309</td>
<td>155,863</td>
<td>151,139</td>
</tr>
<tr>
<td>Meetings</td>
<td>213,885</td>
<td>201,663</td>
<td>195,552</td>
</tr>
<tr>
<td>Legal and Accounting</td>
<td>-</td>
<td>-</td>
<td>1,591,108</td>
</tr>
<tr>
<td>Interest and Fees</td>
<td>-</td>
<td>-</td>
<td>310,595</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>72,402</td>
<td>68,264</td>
<td>66,196</td>
</tr>
<tr>
<td>Computers</td>
<td>114,709</td>
<td>108,155</td>
<td>104,877</td>
</tr>
<tr>
<td>Utilities</td>
<td>30,371</td>
<td>28,636</td>
<td>27,766</td>
</tr>
<tr>
<td>Workshops</td>
<td>-</td>
<td>22,655</td>
<td>-</td>
</tr>
<tr>
<td>Bad Debt Expense</td>
<td>-</td>
<td>-</td>
<td>210,449</td>
</tr>
<tr>
<td>Training</td>
<td>13,557</td>
<td>12,782</td>
<td>12,394</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>6,950</td>
<td>6,552</td>
<td>6,354</td>
</tr>
<tr>
<td>Equipment Rentals and Maintenance</td>
<td>22,338</td>
<td>21,061</td>
<td>20,423</td>
</tr>
<tr>
<td>Insurance</td>
<td>26,570</td>
<td>25,052</td>
<td>24,293</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>3,125</td>
<td>2,946</td>
<td>2,857</td>
</tr>
<tr>
<td>Dues and Subscriptions</td>
<td>1,784</td>
<td>1,682</td>
<td>1,631</td>
</tr>
<tr>
<td>Printing and Postage</td>
<td>5,686</td>
<td>5,362</td>
<td>5,199</td>
</tr>
<tr>
<td>Advertising</td>
<td>-</td>
<td>-</td>
<td>277</td>
</tr>
<tr>
<td></td>
<td><strong>$3,378,338</strong></td>
<td><strong>$2,254,778</strong></td>
<td><strong>$4,276,910</strong></td>
</tr>
</tbody>
</table>
December 1, 2017

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, 2017, and have issued our report thereon dated December 1, 2017. 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 February 18, 2015 and in subsequent discussions. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

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 2017. 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. We evaluated the key factors and assumptions used to develop this valuation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the collectability of accounts receivable is based on ACICS’s past collection history and current economic conditions. We evaluated the key factors and assumptions used to develop this valuation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s allocation of expenses to program and management and general accounts is based on overall staff time charged to certain departments. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
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 depreciation expense in determining that it is 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 was:

The disclosure of subsequent events affecting ACICS in Note 9 to the financial statements describes a potential impact to the organization’s revenues and existence as an accredited authority. 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 1, 2017.

**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’ 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’ 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 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,

Councilor, Buchanan & Mitchell, P.C.
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,

Councilor, Buchanan & Mitchell, P.C.

Councilor, Buchanan & Mitchell, P.C.