

FINANCIAL STATEMENTS

**ACCREDITING COUNCIL FOR CONTINUING
EDUCATION & TRAINING**

**FOR THE YEAR ENDED DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2009**

ACCREDITING COUNCIL FOR CONTINUING EDUCATION & TRAINING

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the Accrediting Council for Continuing Education & Training (the Council) as of December 31, 2010, and the related statements of activities and change in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Council's 2009 financial statements, which were audited by other auditors and, in their report dated March 2, 2010, they expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of December 31, 2010, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

March 30, 2011

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ACCREDITING COUNCIL FOR CONTINUING EDUCATION & TRAINING

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009

ASSETS		<u>2010</u>	<u>2009</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,427,207	\$ 826,120
Investments (Note 6)		572,611	1,069,293
Accounts receivable		-	28,235
Prepaid expenses and other current assets		<u>42,627</u>	<u>68,829</u>
Total current assets		<u>2,042,445</u>	<u>1,992,477</u>
FIXED ASSETS			
Land		296,000	296,000
Buildings		1,241,083	1,221,622
Furniture		259,250	240,434
Computer database		<u>186,629</u>	<u>-</u>
		1,982,962	1,758,056
Less: Accumulated depreciation and amortization		<u>(605,516)</u>	<u>(564,074)</u>
Net fixed assets		<u>1,377,446</u>	<u>1,193,982</u>
TOTAL ASSETS		<u>\$ 3,419,891</u>	<u>\$ 3,186,459</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	60,825	\$ 22,289
Accrued salaries and related benefits		87,673	90,878
Deferred revenue		<u>527,102</u>	<u>442,553</u>
Total liabilities		<u>675,600</u>	<u>555,720</u>
NET ASSETS			
Unrestricted:			
Undesignated		2,499,291	2,393,239
Board designated (Note 3)		<u>245,000</u>	<u>237,500</u>
Total net assets		<u>2,744,291</u>	<u>2,630,739</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 3,419,891</u>	<u>\$ 3,186,459</u>

See accompanying notes to financial statements.

ACCREDITING COUNCIL FOR CONTINUING EDUCATION & TRAINING

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	<u>2010</u>			<u>2009</u>
	<u>Undesignated</u>	<u>Board Designated</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Sustaining fees	\$ 863,560	\$ -	\$ 863,560	\$ 958,057
Examination fees	769,102	-	769,102	660,939
Application fees	227,480	-	227,480	188,050
Processing and other fees	108,811	-	108,811	153,372
Conference, workshops and seminars	166,379	-	166,379	157,365
Interest income	<u>27,751</u>	<u>-</u>	<u>27,751</u>	<u>91,959</u>
Total revenue	<u>2,163,083</u>	<u>-</u>	<u>2,163,083</u>	<u>2,209,742</u>
EXPENSES				
Program Services:				
Council meetings and exam visits	1,602,118	-	1,602,118	1,350,332
Conventions and workshops	209,358	-	209,358	201,065
Systems/Network management	<u>78,205</u>	<u>-</u>	<u>78,205</u>	<u>125,672</u>
Total program services	<u>1,889,681</u>	<u>-</u>	<u>1,889,681</u>	<u>1,677,069</u>
Supporting Services:				
General and Administrative	<u>159,850</u>	<u>-</u>	<u>159,850</u>	<u>218,307</u>
Total expenses	<u>2,049,531</u>	<u>-</u>	<u>2,049,531</u>	<u>1,895,376</u>
Change in net assets	113,552	-	113,552	314,366
Net assets at beginning of year, as restated (Note 5)	2,393,239	237,500	2,630,739	2,316,373
Transfer to Board designated from undesignated	<u>(7,500)</u>	<u>7,500</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,499,291</u>	<u>\$ 245,000</u>	<u>\$ 2,744,291</u>	<u>\$ 2,630,739</u>

See accompanying notes to financial statements.

ACCREDITING COUNCIL FOR CONTINUING EDUCATION & TRAINING

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 113,552	\$ 314,366
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	41,442	40,723
(Increase) decrease in:		
Accounts receivable	28,235	(27,135)
Prepaid expenses and other current assets	26,202	(21,226)
Increase (decrease) in:		
Accounts payable and accrued liabilities	38,536	(2,968)
Accrued salaries and related benefits	(3,205)	17,261
Deferred revenue	<u>84,549</u>	<u>(57,236)</u>
Net cash provided by operating activities	<u>329,311</u>	<u>263,785</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(224,906)	-
Net proceeds (purchase) of investments	<u>496,682</u>	<u>(1,069,283)</u>
Net cash provided (used) by investing activities	<u>271,776</u>	<u>(1,069,283)</u>
Net increase (decrease) in cash and cash equivalents	601,087	(805,498)
Cash and cash equivalents at beginning of year	<u>826,120</u>	<u>1,631,618</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,427,207</u>	<u>\$ 826,120</u>

See accompanying notes to financial statements.

ACCREDITING COUNCIL FOR CONTINUING EDUCATION & TRAINING

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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

Basis of presentation -

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

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the Council has updated references to GAAP in its financial statements issued for the year ended December 31, 2010. The adoption of FASB ASC 105 did not impact the Council's financial position or results of operations.

Cash and cash equivalents -

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

At times during the year, the Council maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. At December 31, 2010, investments consisted of certificates of deposit totaling \$572,611. All interest income earned on certificates of deposit is included in interest income in the Statement of Activities and Change in Net Assets.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost.

ACCREDITING COUNCIL FOR CONTINUING EDUCATION & TRAINING

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

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

Fixed assets (continued) -

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally 3 to 39.5 years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

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

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2010, the Council has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Deferred revenue -

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

Net asset classification -

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

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Council and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Council and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions. At December 31, 2010, the Council did not have any temporarily restricted net assets.

Contributed services -

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

ACCREDITING COUNCIL FOR CONTINUING EDUCATION & TRAINING

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

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

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

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

Risks and uncertainties -

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

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

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

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

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

ACCREDITING COUNCIL FOR CONTINUING EDUCATION & TRAINING

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

3. BOARD DESIGNATED NET ASSETS

As of December 31, 2010, net assets have been designated by the Board of Trustees for the following purposes:

Reserve for Executive Director severance	\$ 235,000
Capital improvements	<u>10,000</u>
BOARD DESIGNATED NET ASSETS	\$ <u>245,000</u>

4. RETIREMENT PLAN

The Council offers participation in a 403(b) retirement plan with TIAA-CREF for eligible employees. The plan provides for matching contributions by the Council at its discretion which, at present, is 50% of each employee's contribution. Employee contributions may not exceed 10% of each employee's gross annual salary. Employee eligibility in the plan is attained after 90 days of service with the Council. Contributions to the plan during the year ended December 31, 2010 was \$31,278.

5. PRIOR PERIOD ADJUSTMENT

The 2009 financial statements have been retroactively restated to reflect Board designated (unrestricted) net assets, which were recorded as temporarily restricted net assets at December 31, 2009. The effect of the restatement on the financial statements is as follows:

	<u>As Restated</u>	<u>As Previously Stated</u>
Temporarily Restricted Net Assets	\$ -	\$ 237,500
Board Designated - Unrestricted Net Assets	\$ 237,500	\$ -

6. FAIR VALUE MEASUREMENTS

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

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

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

ACCREDITING COUNCIL FOR CONTINUING EDUCATION & TRAINING

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

6. FAIR VALUE MEASUREMENTS (Continued)

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market. Financial assets recorded in the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Category: Investments	\$ <u>-</u>	\$ <u>572,611</u>	\$ <u>-</u>	\$ <u>572,611</u>

7. SUBSEQUENT EVENTS

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through March 30, 2011, the date the financial statements were issued.