

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

June 30, 2021

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

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June 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Council for Higher Education Accreditation

We have audited the accompanying financial statements of Council for Higher Education Accreditation (the Council), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures on 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 Council for Higher Education Accreditation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As part of our audit of the 2021 financial statements, we also audited the adjustment described in Note 3 that was applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements of the Council other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
October 4, 2021

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

Statement of Financial Position

June 30, 2021

Assets

Cash and cash equivalents	\$	2,974,222
Accounts receivable		1,299
Prepaid expenses		62,304
Investments		3,990,030
Investment in AMHIC, A Reciprocal Association		18,320
Investment in nonqualified employee benefit plan		934,013
Property and equipment, net		<u>315,931</u>

Total assets	\$	<u><u>8,296,119</u></u>
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Liabilities and Net Assets**Liabilities**

Accounts payable and accrued expenses	\$	190,752
Deferred revenue		1,699,803
Deferred rent		123,381
Obligations under nonqualified employee benefit plan		<u>934,013</u>

Total liabilities		<u>2,947,949</u>
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Net Assets

Without donor restrictions		
Undesignated		858,140
Board designated		<u>4,490,030</u>

Total net assets		<u>5,348,170</u>
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Total liabilities and net assets	\$	<u><u>8,296,119</u></u>
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COUNCIL FOR HIGHER EDUCATION ACCREDITATION

Statement of Activities

Year Ended June 30, 2021

Revenue and Support Without Donor Restrictions	
Membership dues	\$ 2,911,960
Investment income, net	710,804
Conference fees	115,000
Recognition fees	110,000
Contributions	30,000
Other income	13,233
Gain on extinguishment of debt	<u>228,000</u>
Total revenue and support without donor restrictions	<u>4,118,997</u>
Expenses	
Program services:	
Membership Services	1,084,718
Government Relations	748,409
Recognition Policy	640,625
The Council's International Quality Group	378,417
Change Magazine	93,126
Research and Policy	<u>31,597</u>
Total program services	<u>2,976,892</u>
Management and general	<u>405,506</u>
Total expenses	<u>3,382,398</u>
Change in Net Assets Without Donor Restrictions	736,599
Net Assets, beginning of year as previously stated	5,635,031
Restatement Adjustment	<u>(1,023,460)</u>
Net Assets, beginning of year as restated	<u>4,611,571</u>
Net Assets, end of year	<u>\$ 5,348,170</u>

See accompanying notes.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services						Supporting Services		Total
	Membership Services	Government Relations	Recognition Policy	The Councils' International Quality Group	Change Magazine	Research and Policy	Total Program services	Management and General	
Salaries and related expenses	\$ 902,908	\$ 645,272	\$ 514,082	\$ 325,166	\$ -	\$ 10,000	\$ 2,397,428	\$ 254,197	\$ 2,651,625
Occupancy	71,097	50,810	40,480	25,604	-	787	188,778	20,016	208,794
Professional fees and consultants	16,293	4,018	38,576	3,125	78,786	20,062	160,860	41,491	202,351
Office expenses	18,588	11,769	9,376	5,931	12,000	182	57,846	30,282	88,128
Information technology	25,303	17,825	23,201	9,160	-	276	75,765	7,022	82,787
Depreciation	22,168	15,842	12,621	7,983	-	246	58,860	6,241	65,101
Service fees and other expenses	3,718	2,657	2,117	1,339	-	41	9,872	46,172	56,044
Travel	24,643	216	172	109	2,340	3	27,483	85	27,568
Total Expenses	\$ 1,084,718	\$ 748,409	\$ 640,625	\$ 378,417	\$ 93,126	\$ 31,597	\$ 2,976,892	\$ 405,506	\$ 3,382,398

See accompanying notes.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

Statement of Cash Flows

Year Ended June 30, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ 736,599
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	65,101
Dividends and interest	(64,989)
Realized and unrealized (gain) loss on investment	(881,706)
Gain on extinguishment of debt	(228,000)
Net earnings in AMHIC subscriber savings account	(13,201)
Change in operating assets and liabilities:	
Accounts receivable	(1,299)
Prepaid expenses	(8,506)
Accounts payable and accrued expenses	4,639
Deferred revenue	676,343
Deferred rent	37,704
Obligations under nonqualified employee benefit plan	<u>286,381</u>
Net cash provided by operating activities	<u>609,066</u>
Cash Flows from Investing Activities	
Proceeds from sales of investments	1,265,758
Purchases of investments	(659,160)
Purchases of property and equipment	<u>(25,263)</u>
Net cash provided by investing activities	<u>581,335</u>
Net Increase in Cash and Cash Equivalents	1,190,401
Cash and Cash Equivalents, beginning of year	<u>1,783,821</u>
Cash and Cash Equivalents, end of year	<u>\$ 2,974,222</u>

See accompanying notes.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

Notes to Financial Statements

June 30, 2021

1. Nature of Operations

Council for Higher Education Accreditation (the "Council") is a District of Columbia nonprofit corporation. The Council is dedicated to serving students and their families, colleges, and universities, sponsoring bodies, governments, and employers by promoting academic quality through formal recognition of higher education accrediting bodies and working to advance self-regulation through accreditation. The Council fulfills its mission by focusing its efforts in the six service areas listed below. The Council is primarily supported by membership dues.

Membership services

Membership services serves as a primary national forum for accreditation and quality review through the sponsorship of meetings and conferences involving the academic and accreditation communities, policy makers, and the international community. Membership services also provides services to member organizations through conducting research and policy analysis, maintenance of the Council's comprehensive database and engaging university presidents in the policy and process of accreditation.

Government Relations

Government relations sustains and maintains a strategic and effective government relationship.

Recognition Policy

Recognition policy affirms that the standards and processes of the accrediting organization are consistent with the academic quality, improvement and accountability expectations that the Council has established.

The Council's International Quality Group

The Council's International Quality Group (CIQG) advances international quality assurance and improvement, assisting institutions as well as accreditation and quality assurance organizations in furthering capacity for academic quality as they expand international engagements.

Change Magazine

The Council serves as the editorial home of *Change Magazine*. The magazine deals with contemporary issues in higher education intended to stimulate and inform faculty, academic administrators, policy leaders and others on key issues and challenges for colleges and universities.

Research and Policy

The Council's research and policy analysis function identifies and addresses topics related to accreditation and quality assurance practice and policy, nationally and internationally.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

Notes to Financial Statements

June 30, 2021

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Council have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recorded when the obligation is incurred.

Cash and Cash Equivalents

The Council considers all highly liquid instruments, which are to be utilized for current operations and which have an original maturity of three months or less, to be cash and cash equivalents. All other highly liquid instruments, which are to be used for the long-term purposes of the Council, are classified as investments.

Accounts Receivable

The Council's accounts receivable consist primarily of amounts due from conference registrations and from sponsorships at June 30, 2021. There was no allowance recorded as the entire balance has been deemed by management to be fully collectible within one year. If an amount becomes uncollectible, it is expensed when that determination is made.

Investments

Investments are measured at fair value and are composed of equity funds, fixed income mutual funds, money market funds and cash equivalents, held for long-term purposes, retirement annuities and guaranteed funds. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period. Investment income is presented net of investment advisory and management fees on the accompanying statement of activities. Net realized and unrealized gains or losses on investments are included in net investment income on the accompany statement of activities.

Investment in AMHIC, A Reciprocal Association

The Council holds a subscriber savings account with AMHIC, A Reciprocal Association (AMHIC). AMHIC is reciprocal insurance exchange and captive insurer that acts as an insurer of health care and other employee benefits for healthcare, research, or other public service associations. The AMHIC Board of Directors may allocate AMHIC's net income to its subscribers' accounts. The Council carries its investment in AMHIC at fair value with adjustments to the subscriber saving account included in investment income. The funds in the subscriber savings account, less any amounts due to AMHIC from the Council, will become available to the Council upon the termination of its agreement with AMHIC.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

Notes to Financial Statements

June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Property and equipment

Property and equipment over \$1,000 with a projected useful life exceeding one year are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. Expenditures for minor and routine repairs and maintenance are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reported on the statement of activities, as appropriate.

Classification of Net Assets

- *Net Assets Without Donor Restrictions* represent funds that are not subject to donor-imposed stipulations and are available for support of the Council's general operations. The Board of Directors has designated certain net assets without donor restrictions for various reserves as disclosed in Note 8, *Liquidity and Availability of Resources*.
- *Net Assets With Donor Restrictions* represent funds that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Council did not have any donor-imposed restrictions which are perpetual in nature at June 30, 2021.

Revenue Recognition

Membership Dues

Membership dues are generally received in advance of the membership period and are recognized as revenue on a pro-rata basis over the membership period. Membership dues received, which are applicable to the following year, are included in deferred revenue. Conversely, any amounts due for past periods would be included in accounts receivable. The balance of deferred membership dues at June 30, 2021 was \$1,699,803 and is presented as deferred revenue on the accompanying statement of financial position.

Conference fees

Conference fees are generally received in advance and are recognized as revenue when the related conference or meetings takes place. Fees received in advance are recorded as deferred revenue. Conversely any amounts due after a conference has taken place would be recorded in accounts receivable. There were no deferred conference fees at June 30, 2021.

Recognition fees

Recognition fees are generally received with the application and are recognized at the time the application is submitted for review. The Council believes this method provides a faithful depiction of the transfer of goods and services over the term of the performance obligation based on inputs needed to satisfy the obligation. Any amounts received in advance would be deferred until that time. Conversely, any fees due after the services were performed would be included in receivables. There were no deferred recognition fees at June 30, 2021.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (Continued)

Contributions

Contributions without donor-imposed conditions are recognized when promised and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. Contributions with donor-imposed restrictions are reclassified to net assets without donor restrictions when those restrictions are met, in compliance with the donor-imposed restrictions and for the expiration of donor-imposed time restrictions. These reclassifications are reported on the accompanying statement of activities as net assets released from restrictions.

Contributions that are considered to be conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are recognized as revenue once the conditions on which they depend have been met. Revenue recognized as contributions that has not been received, is included in contributions receivable. Conversely, amounts received in advance of the conditions being met are included in refundable advances. The Council had no refundable advances and no unrecognized conditional awards at June 30, 2021.

The Council treats contributions received with donor restrictions that are met in the same reporting period and conditional contributions for which the conditions and restrictions are met in the same reporting period as support increasing net assets without donor restrictions.

Paycheck Protection Program Forgiven Loan

The Council received a Small Business Administration, Paycheck Protection Program (PPP) loan in April 2020 in the amount of \$228,000. The loan carried an interest rate of 1% per annum, a ten-month deferral, a twenty-four-month repayment period and was unsecured.

The Council's policy is to account for the PPP loan as debt. In December 2020, the full amount of the PPP loan was forgiven under the provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Accordingly, this amount is presented as gain on extinguishment of debt on the accompanying statement of activities.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis on the accompanying statement of activities. The statement of functional expenses presents expenses by function and natural classification. The Council incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Council also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited based on the distribution of labor. Expenses allocated include salaries and related expenses, occupancy, professional fees and consultants, office expenses, information technology, depreciation, service fees and other expenses and travel.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

Notes to Financial Statements

June 30, 2021

2. Summary of Significant Accounting Policies (continued)

Pending Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way councils will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The core principles of ASU 2020-07 address the measurement of nonfinancial contributions and increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The amendments in the update are to be applied on a retrospective basis. ASU 2020-07 is effective for non-public entities for fiscal years beginning after June 15, 2021.

Management is currently evaluating the impact of ASU 2016-02 and ASU 2020-07 on the Council's financial statements.

Use of Estimates

The preparation of financial statements in conformity GAAP requires management to make estimates and assumptions that affect certain amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Restatement Adjustment

In previously issued financial statements, the Council reported certain membership dues revenue received for future periods as time restricted contributions, rather than as deferred revenue. As a result, the accompanying financial statements for the year ended June 30, 2021 have been restated to adjust the net assets as of June 30, 2020. An entry was made to decrease previously reported net assets with donor restrictions by \$1,023,460, and the beginning net assets without donor restrictions at July 1, 2020 was restated on the accompanying statement of activities.

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Balance at June 30, 2020, as previously stated	\$ 4,611,571	\$ 1,023,460	\$ 5,635,031
Record 2020 deferred member dues	-	(1,023,460)	(1,023,460)
Balance at June 30, 2020, as restated	<u>\$ 4,611,571</u>	<u>\$ -</u>	<u>\$ 4,611,571</u>

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

Notes to Financial Statements

June 30, 2021

4. Concentrations

Financial instruments that potentially subject the Council to significant concentrations of credit risk consist of cash deposits and investments. The Council maintains cash deposits and investments with various financial institutions that exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). The Council has not experienced any losses on its cash deposits and investments to date as it relates to FDIC or SIPC insurance limits. Management periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

The Council invests funds in a professionally managed portfolio of marketable securities. Such investments are exposed to market and credit risks. Therefore, the Council's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported on the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

5. Investments

Investments consist of the following at June 30, 2021:

Equity funds	\$	2,188,399
Fixed income funds		1,719,684
Money market funds and cash equivalents		<u>81,947</u>
Total investments	\$	<u><u>3,990,030</u></u>

6. Fair Value Measurements

The three levels of the fair value hierarchy for recurring fair value measurements are prioritized based on the inputs to valuation techniques used to measure fair value and are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

Notes to Financial Statements

June 30, 2021

6. Fair Value Measurements (continued)

The following is a summary of input levels used to determine fair values, measured on a recurring basis, of investments and the obligations under the nonqualified employee benefit plan at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Investments:				
Equity funds	\$ 2,188,399	\$ -	\$ -	\$ 2,188,399
Fixed-income mutual fund	1,719,684	-	-	1,719,684
Money market funds and cash equivalents	81,947	-	-	81,947
Total investments at fair value	3,990,030	-	-	3,990,030
Investment in AMHIC	-	-	18,320	18,320
Investments in nonqualified employee benefit plan:				
Retirement annuities	725,171	-	98,847	824,018
Guaranteed funds	109,995	-	-	109,995
Total investments at fair value	<u>\$ 4,825,196</u>	<u>\$ -</u>	<u>\$ 117,167</u>	<u>\$ 4,942,363</u>
Liabilities:				
Obligations under nonqualified employee benefit plan	<u>\$ 835,166</u>	<u>\$ -</u>	<u>\$ 98,847</u>	<u>\$ 934,013</u>

Level 3 Gains and Losses

The Council's activity for investments and liabilities measured at fair value on a recurring basis using unobservable inputs for the year ended June 30, 2021 were as follows:

	Level 3 Retirement annuities and related liability	Level 3 Investment in AMHIC
Level 3 investments – beginning of year	\$ 98,037	\$ 5,119
Purchases, issuances and settlements	8,775	-
Net investment earnings	3,183	13,201
Level 3 investments – end of year	<u>\$ 109,995</u>	<u>\$ 18,320</u>

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

Notes to Financial Statements

June 30, 2021

6. Fair Value Measurements (continued)

Investments and the Obligations under the nonqualified employee benefit plan are measured at fair value based on the following valuation techniques:

- *Equity funds, fixed income mutual funds, guaranteed funds, money markets funds and cash equivalents and level 1 retirement annuities are valued using the market approach where prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.*
- *Investments in AMHIC and level 3 retirement annuities are valued using the income approach which includes techniques that convert future amounts to a single present value based on market expectations. These techniques may include present value techniques, option-pricing and excess earnings models.*

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. While the Council believes that the valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

7. Property and Equipment

The Council held the following property and equipment at June 30, 2021:

Furniture and Equipment	\$	112,503
Computer equipment and software		354,546
Leasehold improvements		161,310
Trademark and copyright		<u>7,759</u>
		636,118
Less: accumulated depreciation and amortization		<u>(320,187)</u>
Property and equipment, net	\$	<u>315,931</u>

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

Notes to Financial Statements

June 30, 2021

8. Liquidity and Availability of Resources

The following schedule reflects the Council's financial assets as of June 30, 2021, reduced by amounts not available for general use within one year. All financial assets listed below are considered to be convertible to cash within one year.

Financial Assets:	
Cash and cash equivalents	\$ 2,974,222
Accounts receivable	1,299
Investments	<u>3,990,030</u>
Total financial assets	6,965,551
Less those unavailable for general expenditures within one year:	
Board designated – general reserve	(3,644,234)
Board designated – emergency reserve	(500,000)
Board designated – executive compensation reserve	<u>(345,796)</u>
Total unavailable for general expenditures within one year	<u>(4,490,030)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,475,521</u>

The Council's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Council operates with a balanced budget and without any short or long term non-operating debt. The Board designates reserves for general and other purposes, as detailed above which are included in net assets without donor restrictions on the accompanying statement of financial position. Should the need arise, the Board may approve releases of the various reserves. At June 30, 2021, the Council had remaining financial assets equivalent to approximately ten months of budgeted operating expenses.

9. Commitments and Contingencies

Employment Agreement

The Council entered into an employment contract with its President in July 2020 that documents the terms and conditions of employment. Under the terms of the contract, should the Council terminate the President's employment without cause, the Council will be obligated to pay severance equivalent to six months at the salary rate in effect upon termination. In addition, the Council would be obligated to pay for certain benefits over that six-month period.

Operating Lease

In June 2018, the Council entered into an operating lease agreement for office space expiring on June 30, 2028. The Council records monthly rent expense on a straight-line basis equal to the total rent due over the lease term. The difference between rent expense recorded and the amount paid is included in deferred rent on the accompanying statement of financial position. Rent expense was \$205,542 for the year ended June 30, 2021 and is included in occupancy on the accompanying statement of functional expenses.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

Notes to Financial Statements

June 30, 2021

9. Commitments and Contingencies (continued)

Operating Lease (continued)

At June 30, 2021, the minimum future lease payments under these leases are as follows for the years ending June 30:

2022	\$	206,082
2023		211,210
2024		216,498
2025		221,886
2026		227,426
Thereafter		<u>472,074</u>
Total future minimum lease payments	\$	<u>1,555,176</u>

10. Retirement Plan

The Council maintains a tax-deferred annuity plan qualified under section 403(b) of the Internal Revenue Code (the Code). The council contributes twelve percent of gross salaries for eligible employees to the plan. Employees may make elective contributions to the plan up to the maximum allowed by the Code.

The Council also maintains a nonqualified compensation plan (the Plan) under Code 457(b) for eligible employees including the President, Vice Presidents, and Director of Operations. The Council makes non-elective contributions to the Plan up to the maximum amount allowed by the Code. The assets and corresponding liabilities related to the plan totaled \$934,013 at June 30, 2021 and are presented as investments in nonqualified employee benefit plan and obligations under nonqualified employee benefit plan, respectively on the accompanying statement of financial position.

For the year ended June 30, 2021, the Council contributed \$247,985 on behalf of its employees to the retirement plans which is included in salaries and related expenses on the accompanying statement of functional expenses.

11. Income Taxes

Under Section 501(c)(3) of the Code, the Council is a nonprofit and is exempt from federal taxes on income other than net unrelated business income. The Council did not have any material unrelated business income tax liability for the year ended June 30, 2021.

The Council follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It is the Council's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

COUNCIL FOR HIGHER EDUCATION ACCREDITATION

Notes to Financial Statements

June 30, 2021

11. Income Taxes (continued)

The Council performed an evaluation of uncertain tax positions for the year ended June 30, 2021 and determined that there were no matters that would require recognition on the financial statements or that may have any effect on its tax-exempt status. The statute of limitations generally remains open for three tax years with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Council files tax returns.

12. Subsequent Events

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through October 4, 2021, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.