Strategy that’s shaping the future

Annual Report 2013-2014
This was a very good year for AdvancED — both in terms of growth performance, with an overall increase in the number of institutions seeking our services, and significant progress in introducing innovative tools and enhancements to the accreditation and school improvement processes. We also realized a net operating income for the year demonstrating the confidence that our institutions, partners and stakeholders have in AdvancED to deliver tools and resources that can be used to find real-time improvement solutions to the problems schools and school systems face today.

In 2013, we adopted a new strategic plan that provided our staff and volunteers with a renewed focus to pursue and tackle new innovations, new opportunities and new challenges. As an organization, we are committed to a strategy that’s shaping the future. Moving forward, our organization will be guided by the strategic objectives and priorities within the new plan. For example, our vision to create a world of opportunities for every learner is the driving force behind the business decisions we make and the services we provide each and every day to the over 32,000 schools and school systems in 71 countries. We truly believe that we need a new system of education that starts with putting learners’ needs first. This requires that we all become engaged in transforming learning.

The 2013-2014 year may have come to a close, but our commitment to what we do for institutions each and every day will not end. We will continue

A Message
from President and CEO
Mark A. Elgart, Ed.D.
to explore and develop innovative ideas, advocate for an improved education system, and provide our expertise from implementing sound accreditation and school improvement protocols and practices to offering quality professional learning. In fact, I want to take this opportunity to commend our team of trainers, who facilitated nearly 200 professional development events for over 11,000 attendees.

We continued to serve our network by launching the Index of Education Quality™ (IEQ™), a state-of-the-art framework that provides institutions with a deeper understanding of organizational effectiveness by measuring their overall performance based on a comprehensive set of indicators and evaluative criteria. We also continued to upgrade the ASSIST platform with several enhancements that streamline the continuous improvement process. Finally, we introduced the use of the Effective Learning Environments Observation Tool™ (eleot™), a classroom observation tool that provides honest answers to questions institutions are asking such as - Are my students immersed in positive learning experiences? Are they connecting content to real-life situations? How do they react to classroom rules and expectations? Are they willing to take risks with learning? - all in an effort to yield results that would enable institutions to customize the learning experience for students.

AdvancED has a wealth of data that grows daily. We also have access to every type of institution imaginable. Our ability to leverage our network of institutions around the world to conduct research to inform and guide practice has endless potential. We began to further explore this potential by shaping our focus, approach and purpose for conducting research. This research also will help guide products and services that we can offer institutions in the future.

Finally, during the 2013-14 school year, AdvancED expanded its Diagnostic Review services for priority and focus schools for Kentucky and Indiana as well as pilots in Michigan and Virginia. The state of Kentucky is reporting that their priority and focus schools are achieving positive results and improvement from the AdvancED Diagnostic Review Process. We are also an approved provider in Colorado and looking to extend this service to more states.

We have enjoyed a very productive year. We have increased the size and scope of our network; generated a net operating income; impacted the work of schools, school systems, states and policy makers; and introduced innovative products and services to support continuous improvement. I would like to thank our staff, volunteers and partners for their leadership, commitment and contributions to our work. We remain steadfast in our commitment to lead and empower the education community to ensure that all learners realize their full potential.

Mark A. Elgart, Ed.D.
President/Chief Executive Officer, AdvancED

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### Board of Trustees (as of June 2014)

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AdvancED’s major emphasis for 2013-2014 was to successfully implement the new performance accreditation and school improvement platform while adopting a new strategic plan to guide our work moving forward. With the introduction of new Standards, a new accreditation protocol including the much-anticipated rollout of the Effective Learning Environments Observation Tool™ (eleot™) and the Index of Education Quality™ (IEQ™), all stakeholders in the AdvancED network joined us in ushering in a year of progress and accomplishments.

**Our Focus**

**VISION**
Create a world of opportunities for every learner.

**MISSION**
Lead and empower the education community to ensure that all learners realize their full potential.

**VALUES**

**Dream Big.** We are not constrained by the current environment or framework even as we work within existing systems.

**Stand for the Learner.** We represent the interests of all learners with a commitment to equity and integrity.

**Be Bold and Daring.** We take risks that support our beliefs.

**Drive Potential.** We create and initiate change, growth and innovation in our work but also among each other. We embrace the individuality we bring and strive for excellence as a team.

**Be Tenacious.** We are relentless in pursuing our mission.

**Build Connections.** We expand and nurture our internal and external relationships.
2013-2014 INITIATIVES AND ACCOMPLISHMENTS

Initiate and deliver the new Learning Management System for the delivery of online training programs to our network.

• We launched the first phase of the Learning Management System, an online repository of AdvancED professional learning opportunities, to our network. We specifically focused on eleot training and certification for our volunteers. Ensuring that every eleot observer was trained and certified ensured the proper use of the tool as well as the validity and reliability of the results. This had a significant impact on the External Review results by providing additional data for institutions to use in their school improvement efforts.

• We started development on graduate level course work for credit to be delivered via the Learning Management System. At least three courses will be available by January 2015. Credentialed college level professors with experience in online learning have partnered with AdvancED in developing the courses. We also are establishing a formal partnership with an accredited online university. This relationship could result in a significant business opportunity for AdvancED that further extends our reach and services to all learners.

Define and implement a Research Agenda that includes the leadership of a Research Advisory Council.

• We invited institutions in our network to participate in research projects using data they already collect to identify new solutions focused on creating, implementing or sustaining effective practices. Over 400 institutions committed to participating in an array of potential research projects related to continuous improvement. The AdvancED Research and Innovation Network will create a platform from which participating school systems can look for answers in their data and examine questions about, for example, effective teachers, effective curriculum and effective leadership.

• In the coming year, we will form a Research Advisory Council of practitioners within our network as well as research experts focused on identifying and implementing our initial research projects.

Design and launch the National Academy for STEM Leadership.

• A volunteer task force comprised of AdvancED staff, business and industry representatives, and practitioners from STEM institutions developed criteria for an AdvancED STEM Certification.

• We began developing the protocol that an institution must follow to achieve STEM certification. We also are actively seeking external funding to support the pilot program as well as research on the work of STEM certified institutions.

Design and launch the eleot for commercial use by schools.

• During the first half of the fiscal year, we conducted a pilot program using the eleot in several schools. The results of the pilot and additional enthusiasm from users indicate significant potential for wide-spread use. Learnings from the pilot have provided guidance for the development of the technology platform including the mobile application. We plan to launch the eleot for use by schools in early 2015.

Complete and adopt a new strategic plan.

• In January 2013, the Board of Trustees adopted a new strategic plan for the organization. It provides a clear vision, mission and values for AdvancED. The plan positions AdvancED as a thought leader in shaping the future of education.

• A Strategy Map was created to define and describe all elements of the strategic plan for our staff.

• Annual priorities are set to focus AdvancED’s work and deliver results toward the Strategic Objectives outlined in the plan. The budget and priorities for 2014-15 are in direct support of the strategic plan and its key objectives.
Growth Highlights

More and more institutions of all types are seeking the services of AdvancED. These institutions are entrusting us to help them gather data, understand the data and transform that data into workable solutions to the challenges they face. Our accreditation and continuous improvement services give institutions the power to take control of their own destiny ensuring that their students are prepared for the twenty-first century. Accreditation helps institutions improve their effectiveness and practices which in turn ensures that learners are college-and career-ready. As the demands on educators increase, we will continue to expand our services, pursue new innovations and advocate for a transformed education system for those institutions that we currently serve and for the many institutions just beginning their continuous improvement journey with AdvancED.

Who We Serve

NUMBER OF SCHOOLS AND SYSTEMS SERVED FROM 2011-2014

*Educational institutions include American International, Career Technical, College Preparatory, Distance Education, Postsecondary, International Overseas, Supplementary and Special Purpose.
Accreditation by the Numbers

The External Review Process

External Review Process continues to be a crucial component of AdvancED Performance Accreditation. In combination with the internal review, the External Review provides institutions the opportunity to see their strengths and areas where they can make improvements.

Total Schools in Nonpublic Accreditation

<table>
<thead>
<tr>
<th></th>
<th>2013-2014</th>
<th>2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catholic Systems</td>
<td>1323</td>
<td>1010</td>
</tr>
<tr>
<td>Other Faith-Based Systems</td>
<td>45</td>
<td>37</td>
</tr>
<tr>
<td>International Systems</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>Partners*</td>
<td>1482</td>
<td>1492</td>
</tr>
<tr>
<td>Total</td>
<td>2862</td>
<td>2548</td>
</tr>
</tbody>
</table>

*Represents the total number of all combined schools served by AdvancED through accreditation partners in the Nonpublic School Services Department.

EXTERNAL REVIEWS COMPLETED FROM 2012-2014

<table>
<thead>
<tr>
<th></th>
<th>2013-2014</th>
<th>2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public School Systems</td>
<td>209</td>
<td>204</td>
</tr>
<tr>
<td>Non-Public School Systems</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Education Service Agencies (ESAs)</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Corporations</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Corporation Systems</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>Individual Schools</td>
<td>1,519</td>
<td>1,260</td>
</tr>
<tr>
<td>Total</td>
<td>1,752</td>
<td>1,478</td>
</tr>
</tbody>
</table>

Total Schools Accredited

|                     | 5214*     | 4186**    |

* This number includes schools accredited as a result of the accreditation process for partners and schools systems.
** External Reviews for individual schools do not include Northwest Accreditation Commission (NWAC) schools that used the NWAC Protocol.
Financial Summary

Our strategic plan not only outlines the objectives for AdvancED but also informs the financial decisions made, the practices and protocols implemented, and the innovative services provided by our organization. We are committed to being financially sound in order to continue to invest in the future of the millions of students our institutions serve around the world. As our network grows, we will continue to reinvest in technology, tools and resources, new and improved services, and professional learning activities that support institutions in all phases of the accreditation and school improvement processes.

Consolidated Statements of Activities

(For fiscal years ending on June 30, 2014 and June 30, 2013)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue &amp; Support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Accreditation</td>
<td>21,503,275</td>
<td>20,370,187</td>
</tr>
<tr>
<td>• School Improvement Services</td>
<td>3,733,752</td>
<td>3,164,010</td>
</tr>
<tr>
<td>• Workshop</td>
<td>1,626,354</td>
<td>1,714,984</td>
</tr>
<tr>
<td>• Other Income</td>
<td>240,222</td>
<td>475,765</td>
</tr>
<tr>
<td><strong>Total Revenue &amp; Support</strong></td>
<td>27,103,603</td>
<td>25,724,946</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Accreditation &amp; Supporting Services Expenses</strong></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Employee Compensation &amp; Benefits</td>
<td>16,428,691</td>
<td>15,876,724</td>
</tr>
<tr>
<td>• General and Administrative</td>
<td>7,477,812</td>
<td>8,083,846</td>
</tr>
<tr>
<td>• Annual Conference</td>
<td></td>
<td>484,508</td>
</tr>
<tr>
<td>• School Improvement Services</td>
<td>169,092</td>
<td>123,051</td>
</tr>
<tr>
<td>• Other Operating Expenses</td>
<td>1,401,333</td>
<td>1,543,044</td>
</tr>
<tr>
<td><strong>Total Expenses for Accreditation &amp; Supporting Services</strong></td>
<td>25,476,928</td>
<td>26,111,173</td>
</tr>
</tbody>
</table>

| **Excess (Deficit) of Revenue Over Expenses for Accreditation & Supporting Services** | 1,626,675 | (386,277) |

| **Other Income (Expenses)**                      |            |            |
| • Depreciation and Amortization                  | (16,636,444)| (1,297,808)|
| • Interest Expense                              | (229,737)  | (234,629)  |
| • Interest and Dividend Income                   | 433,491    | 457,414    |
| • Net Realized & Unrealized Investment Gains     | 1,115,753  | 507,001    |
| **Total Other Income (Expenses)**                | (316,937)  | (568,022)  |

| **Change in Net Assets, Unrestricted**            | 1,309,738  | (954,249)  |

| **Net Assets, Unrestricted at Beginning of Year** | 15,400,218 | 16,354,467 |

| **Net Assets, Unrestricted at End of Year**       | $16,709,956| $15,400,218|
Organizational Summary

The world’s leader in accreditation and continuous improvement, AdvancED offers educational technologies, advocacy, improvement and accreditation services to education providers of all types in their pursuit of excellence in serving students. Our mission is to lead and empower the education community to ensure that all learners realize their full potential. We have been experts in accreditation and continuous improvement since 1895 and bring this 100+ years of experience and expertise through three US-based regional accreditation agencies — the North Central Association Commission on Accreditation and School Improvement (NCA CASI), the Northwest Accreditation Commission (NWAC) and the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS CASI). AdvancED is a trusted partner to over 32,000 institutions in more than 70 countries serving over 20 million students.

AdvancED combines the knowledge and expertise of a research institute, the skills of a management consulting firm and the passion of a grassroots movement for educational change. While our expertise is grounded in more than one hundred years of experience accrediting schools, AdvancED is much more than an accrediting agency. Our goal isn’t to certify that schools are good enough. Rather, our commitment is to help schools improve.

AdvancED Performance Accreditation, a protocol embraced around the world, is a clear and comprehensive program of evaluation and external review, supported by research-based Standards and dedicated to helping schools, systems and education providers continuously improve. AdvancED’s position as a leader in education continues to expand as we provide a national and international voice to inform and influence policy and practice on issues related to education quality.

AdvancED also offers an array of innovative products, such as the Adaptive System of School Improvement Support Tools (ASSIST™), and services to support both accreditation and school improvement. These offerings help educational institutions create an experience that can drive student achievement.

In 2013, we further enhanced the continuous improvement and accreditation processes by introducing the Effective Learning Environments Observation Tool™ (eleot™). A learner-centric, formative tool, the eleot measures the effectiveness of learning environments and provides quantifiable data that focuses on students and informs improvement efforts to create the most optimal environments for student achievement. As global leaders in the education field, we have a unique opportunity to shape the practice of teaching and learning and assure quality education worldwide. Today, as education systems scramble to keep pace with 21st century learners, at AdvancED we seek to accelerate the changes needed to prepare all learners to be successful in our ever changing world. We are dedicated to creating a world of opportunities for every learner.
The Future is NOW.

As the 2013-2014 year came to a close, we immediately began work on defining priorities for 2014-2015 while continuing our commitment to several existing priorities from the 2013-2014 year. Our work is based on the following key objectives:

- **Knowledge:**
  Generate and apply knowledge to inform and impact practice.

- **Transformation:**
  Evolve the use of our accreditation and improvement protocols to stimulate and support education providers to transform to a learner-centric system.

- **Branding:**
  Aggressively communicate the brand story.

- **Finance:**
  Diversify financial strategy for long-term growth.

- **Growth:**
  Diversify and innovate products and services.

- **Human Capital:**
  Recruit, develop and retain talent to lead and deliver our work.
At AdvancED, our strategic plan shapes our work as well as our future.

We will continue to explore and develop innovative ideas, advocate for an improved education system, and provide our expertise on sound accreditation and school improvement protocols and practices.
Connect with Us

You can learn more about recent activities and news from AdvancED in a variety of ways:

- 888.41EDNOW (888.413.3669)
- www.advanc-ed.org
- contactus@advanc-ed.org
- www.facebook.com/AdvancEDorg
- @AdvancEDorg and @MarkElgart
- www.youtube.com/AdvancEDorg
- www.linkedin.com/company/advanced