

## **New England Commission of Higher Education Statement Re: Response to Mount Ida College Closure**

Following the sudden announcement of closure by Mount Ida College in April 2018, the New England Commission of Higher Education<sup>1</sup> (NECHE or the Commission) initiated a review of its interactions with Mount Ida College and an ongoing consideration of how it could improve its policies and procedures with respect to financially fragile institutions.

At its June 2018 retreat, the Commission reviewed its recent interactions with Mount Ida College (Mount Ida). Mount Ida had its comprehensive evaluation visit in Fall 2017 and was scheduled to meet with the Commission at its regularly scheduled meeting on April 19, 2018. The Commission was aware in early 2018 that Mount Ida was talking with Lasell College about a potential merger, and on February 28, 2018, the Presidents and Chief Academic Officers of the two institutions met with Commission staff to discuss what they hoped would result in a merger in time to discuss a final or near final plan at the Commission's April 2018 meeting. Obviously, the merger did not happen, much to the distress of current and prospective Mount Ida students, as well as Mount Ida faculty and staff. The Commission's principal conclusion from this consideration was that it should develop ways to strengthen its interaction with financially fragile institutions and its communication with the public.

As background, every NECHE-accredited institution undergoes a comprehensive evaluation at least once every ten years to assess how and how well it fulfills the *Standards for Accreditation*. Each institution also submits an interim report at the fifth year. Most institutions are asked to submit other reports (e.g., a progress report on issues identified at the time of the comprehensive evaluation and/or the interim report; a focused evaluation, which consists of a progress report validated by a small team of evaluators). The Commission has other ways to monitor institutional compliance with the Standards, including the Annual Report on Finance and Enrollment (ARFE), discussed below.

At its September and November 2018 meetings, the Commission considered and approved the following changes to its policies and procedures:

1. **Annual Report on Finance and Enrollment (ARFE).** For over 25 years, the Commission has had a process to monitor the finances and enrollment of financially fragile institutions. Annually approximately 10-14 institutions submit ARFE reports. Data on finance and enrollment is also monitored through comprehensive evaluations, interim reports, progress reports, and focused evaluations.

Institutions submitting an ARFE report are asked to include Finance and Enrollment data forms, its most recent audit and management letter, and a narrative related to general (and in some cases specified) issues of finance and enrollment. The reports are reviewed by a committee of senior finance officers from member institutions; the committee makes recommendations to the Commission for its March meeting.

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<sup>1</sup> Operating until August 1, 2018 as the Commission on Institutions of Higher Education of the New England Association of Schools and Colleges.

**Action update:** The Commission augmented its Finance and Enrollment data forms for the ARFE process. The updated forms will also provide additional information for every institution at the time of the comprehensive evaluation and the interim report. Additional information to be reported includes data on: liquidity, cash flow, use of restricted assets, debt (including debt covenants), lines of credit, anticipated future borrowing.

The Commission also invited three senior financial experts<sup>2</sup> to observe its ARFE committee meeting in February 2018. Their comments were generally supportive, and also included recommendations to develop a cover sheet for each report (to provide consistency in highlighting key metrics) and a policy that requires institutions to notify the Commission immediately in the event of a modified audit.

2. **Annual Report.** For decades, the Commission has asked all institutions to submit an Annual Report which requests information about institutional contacts (president; chief academic and finance officers; accreditation liaison officer), enrollment, off-campus instructional locations, distance education programs, and other accreditation-related matters.

**Action Update:** The Commission updated its Annual Report in two ways: 1) asking for additional financial information re: e.g., cash flow, net tuition, and debt covenants; and 2) requiring the submission earlier so as to enable the Commission to take action in the Spring if needed.

3. **Public Notation.** In November 2018, following consultation with the Commission's membership, it adopted a policy on *Notation*. Notation is designed to let the public know that an institution is in danger of not meeting one or more of the Commission's *Standards for Accreditation*. When the Commission issues a Notation to an institution, it will issue a press release, inform appropriate state agencies, and post a statement on the Commission's website.
4. **Governing Boards.** The Commission has long realized the importance of governing boards for the success of institutions of higher education. Indeed, each time the Commission has revised its *Standards for Accreditation*, it has elevated the importance of trustees and their fiduciary responsibility. Following the Mount Ida event, the Commission scheduled a special retreat session in January 2019 at which it initiated a process to better engage governing boards, better communicate Commission expectations, and better assure the public that accredited institutions have governing boards that understand their fiduciary responsibilities, especially with respect to current and prospective students.

The Commission will monitor the changes above, recognizing its dual responsibilities to its member institutions and to the public, and continue to make appropriate changes.

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<sup>2</sup> One from a member institution, one retired from an audit firm that audits mainly research universities, and one from a consulting firm (previously affiliated with a bond-rating firm).