

REPORT OF THE WSCUC TEAM
SPECIAL VISIT

To: Notre Dame de Namur University

Date of Visit: November 29, 2023 – December 1, 2023

Team Roster:

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The team evaluated the institution under the 2013 Handbook and Standards of Accreditation and prepared this report containing its collective evaluation for consideration and action by the institution and by the WASC Senior College and University Commission (WSCUC). The formal action concerning the institution's status is taken by the Commission and is described in a letter from the Commission to the institution. This report and the Commission letter are made available to the public by publication on the WSCUC website.

TABLE OF CONTENTS

SECTION I – OVERVIEW AND CONTEXT	3
A. Background, Mission, and History.....	3
B. Description of the Team’s Review Process.....	8
C. Quality and Rigor of the Report and Supporting Evidence.....	8
SECTION II – TEAMS’S EVALUATION OF ISSUES UNDER THE STANDARDS	8
A. Issue 1: Finance.....	8
B. Issue # 2: Planning.....	12
SECTION III – OTHER TOPICS, AS APPROPRIATE	17
SECTION IV – FINDINGS, COMMENDATIONS, AND RECOMMENDATIONS FROM THE TEAM REVIEW	17
A. Commendations.....	17
B. Recommendations.....	18

SECTION I – OVERVIEW AND CONTEXT

A. Background, Mission, and History

Notre Dame de Namur (NDNU) is a private non-profit Catholic university and since 1923 its main campus is located in Belmont, CA. NDNU began as the Academy of Notre Dame in 1851 in San Jose, CA when it was founded by the Sisters of Notre Dame de Namur, a religious order whose mission is to provide educational access to poor women and those on the margin of society. Chartered in 1868, NDNU was the first California institution to be authorized to award baccalaureate degrees to women. NDNU was first accredited by WSCUC in 1955, added graduate programs in 1972, and changed its name in 2001 to Notre Dame de Namur University. NDNU became an Asian American and Native American Pacific Islander-Serving Institution in 2007 and a Hispanic -Serving Institution in 2009. In January 2015, the Carnegie Foundation for the Advancement of Teaching recognized the university for its engagement in community service.

NDNU's mission underscores its commitment to higher education and states that, "Founded upon the values of the Sisters of Notre Dame de Namur and rooted in the Catholic tradition, Notre Dame de Namur University serves its students and the community by providing excellent professional and liberal arts programs in which community engagement and the values of social justice and global peace are integral to the learning experience. NDNU is a diverse and inclusive learning community that challenges each member to consciously apply values and ethics in his or her personal, professional, and public life."

At its peak in 2013, NDNU enrolled 2,030 students and offered face-to-face and online degree programs and certificates to both undergraduate and graduate students. Subsequently, after years of declining enrollment, rising tuition discount rates, declining operating revenue,

(becoming losses in FY 2017), elimination of academic and support programs, and faculty layoffs, NDNU's educational objectives changed significantly when the Trustees announced in January 2021 that NDNU would transition from primarily offering resident undergraduate degree programs (and athletics) to focusing on professional graduate programs as well as bachelors' completion programs.

In fall 2023 NDNU enrolled 237 students, carrying 1,667 credit hours, which is higher than the students 197 enrolled with 1,508 credit hours in spring 2023. Enrollment is split across three schools: the School of Education, the School of Psychology, and the School of Business and Management.

The School of Business and Management offers four graduate programs: Master of Business Administration (on-site and distance education), Master of Business Administration - Management Science (MBAstem), Master of Public Administration (on-site and distance education), and Master of Science in Technology Management. In addition, the School of Business and Management offers undergraduate degree completion leading to a Bachelor of Science in Business Administration. The MBA and MPA programs are accredited by the Accreditation Council for Business Schools and Programs.

The School of Education offers five graduate programs: Master of Arts in Education, Master of Arts in School Administration, Master of Arts in Special Education, Master of Arts in Teaching English to Speaker of Other Languages, and Master of Arts in Educational Therapy. Most recently, it added a Master of Arts in Diversity, Equity, and Inclusion Leadership. In addition, the School of Education offers Multiple Subject, Single Subject, and Education Specialist Teaching Credentials which are accredited by the California Commission on Teacher Credentialing.

The School of Psychology offers a Master of Science in Clinical Psychology with two options: Marriage and Family Therapy, or Licensed Professional Clinical Counseling. These programs are in compliance with the requirements of the Board of Behavioral Sciences for programs leading to licensure. In addition, the School of Psychology offers an undergraduate degree completion program leading to a Bachelor of Arts in Psychology in partnership with the San Mateo County Community College District.

On September 28, 2021, the university announced that Stanford University had entered into an option to purchase agreement for the 46-acre campus in Belmont by mid-2025. The sale includes certain contingencies that need to be satisfied prior to its completion. As part of the sale the buyer has two options: June 2023 (which has been completed) and June 2024. These options, which include payments to NDNU, need to be exercised to continue the purchase process.

The Board of Trustees reorganized its committee structure in December 2018 with the intent to both put greater focus on student success and to facilitate deeper conversations among Board members. The Board combined the Academic Affairs Committee, the Student Affairs Committee, and the Mission Committee into a new Student Learning and Success Committee. At the same time, the Board combined the Finance and Investment Committee, the Development Committee, and the Infrastructure Committee into an Institutional Sustainability Committee. The Audit Committee and Trusteeship and Governance Committee continue as separate committees.

Financial Situation Overview: As a result of declining enrollment and the shift from full-time undergraduate students to part-time professional graduate students, net tuition and fee revenue decreased from \$25,263,952 in FY 2017 to \$3,006,409 in FY 2022. (Source:

audited financial statements.)

The institution has experienced overall financial losses beginning in FY 2019 and accumulated \$26,275,188 in losses over the last four years. Total net assets decreased from \$55,839,328 in FY 2017 (end-of-year) to \$31,997,364 in FY 2022 (end-of-year). Federal Financial Composite Scores have fallen steadily from 3.0 in FY 2014 to 2.2 in FY 2020 as calculated by the U.S. Department of Education.

In order to help cover actual shortfalls, NDNU has obtained \$4 million in loans from the East-West Province of the Sisters of Notre Dame de Namur (SND). Given a previous \$10 million loan to retire a construction bond originally undertaken in 2003, total indebtedness to SND is currently \$14 million. To help cover anticipated shortfalls until the sale of the campus property is realized, NDNU received a formalized Memorandum of Understanding with SND in May 2023 and a loan agreement from SND in November 2023 to be finalized in December 2023. The loans and MOU are discussed further in the section on financial sustainability.

Recent Accreditation History: NDNU has been accredited by WSCUC since 1955 with the most recent reaffirmation of accreditation visit in 2015. The July 15, 2015 Commission Action Letter noted that the visiting team report reported that “NDNU has made significant strides towards financial sustainability...with strong financial management, effective fiscal discipline, clear data-driven planning, sound enrollment forecasting models, growth in endowment, and successful attainment of grants.” The financial situation began to deteriorate shortly thereafter.

NDNU’s 2018 Interim Report discussed:

- a. Enrollment declines in fall 2015 and spring 2016
- b. Academic prioritization and ensuing program and faculty reduction

- c. Faculty unionization
- d. Strategic plan goals for enrollment and retention.

The subsequent Interim Report Action Summary asked for another Interim Report in 2019 with follow-up on:

- a. Enrollment and financial plans
- b. Faculty and staff hiring
- c. Assessment

The October 2019 Interim Report from NDNU reported that: fall 2019 enrollment was down 33% from peak in 2013; the new full-time freshmen class only had 120 students (goal 200, three-year average 169); that fundraising for unrestricted operations fell short of its goal (\$1.1 million goal FY 2019 actual \$0.3 million); and that housing and meal revenues fell short of their goals. The March 5, 2020 WSCUC Commission Letter issued a **Notice of Concern** and scheduled a Special Visit for fall 2020 to address: a) Enrollment plans; b) Financial status; c) Leadership capacity. The fall 2020 Special Visit was postponed until fall 2021 because NDNU was considering closure. But instead NDNU decided to sell the main campus property and focus on graduate degrees and undergraduate degree completion programs for adult learners. On March 8, 2022, the Commission Action Letter indicated that NDNU failed to meet Standards One and Three. At that time, the Commission acted to issue a **Warning** and schedule a Special Visit in spring 2023 to address a) Fiscal Sustainability; b) Administrative Capacity and Financial Leadership; c) Educational Purposes and Objectives; d) Operational Integrity and Shared Governance; and e) Strategic Planning. After the spring 2023 special visit, the Commission acted to continue the Warning, finding NDNU out of compliance with

Standard 3 (CFR 3.4), and schedule a special visit in fall 2023 to address financial sustainability and planning.

B. Description of the Team’s Review Process

The accreditation visit was structured around the lines of inquiry which draw from the two issues to be addressed as listed in the July 14, 2023 Commission Action Letter. The team conducted interviews, reviewed institutional reports and financial documents.

The team met with the President, Provost, CFO, Academic Deans, Finance and Administration Team, Marketing and Communications Team, Cabinet (WSCUC Steering Committee), Enrollment Team, Sisters of Notre Dame de Namur US East-West Province Leadership Team, the Audit Partner, and the Board of Trustees.

C. Quality and Rigor of the Report and Supporting Evidence

NDNU produced a clear and responsive report that accurately portrayed the condition of the institution. The Provost and ALO served as the primary author. The President and members of the Cabinet reviewed and edited the document and members of the Board of Trustees also reviewed the document. The report mainly updated information and items that had been completed since the spring 2023 special visit.

SECTION II – TEAMS’S EVALUATION OF ISSUES UNDER THE STANDARDS

A. Issue 1: Finance

NDNU does not demonstrate compliance with CFR 3.4 due to structural deficits as a result of continuous enrollment declines. NDNU must expeditiously demonstrate a long-term financial plan sufficient for fiscal sustainability. (CFR 3.4)

The WASC Senior College and University Commission (WSCUC or Commission) found at its meeting on June 30, 2023 (as memorialized in an action letter from WSCUC president dated July 14, 2023) that NDNU did not demonstrate compliance with CFR 3.4 due to structural deficits as a result of continuous enrollment declines. It also determined that NDNU must expeditiously demonstrate a long-term financial plan sufficient for fiscal sustainability.

NDNU has changed its operational emphasis from a primarily residential undergraduate institution to a graduate institution with an emphasis on online education. The implementation of this change will result in NDNU being a different entity than it has been in the past. The budgets and financial forecasts have been changed to reflect the transition to the future state. One of the most significant changes will be the sale of the NDNU campus to a third party. NDNU has entered into a confidential option to purchase agreement with Stanford University to sell the campus facilities. It is expected that the sale will be completed no later than August 2025. The sale of the facilities is expected to eliminate significant structural operating costs from NDNU.

During the transition period until the completion of the sale, NDNU is implementing a three-year business plan (FY 2024 to FY 2026) which aims to successfully transition NDNU to “full fiscal sustainability” by the end of FY 2026. The implementation of this business plan requires an infusion of resources from outside of internally generated funds by NDNU.

The US East-West Province of the Sisters of Notre Dame de Namur (“Sisters”) have determined that NDNU is an important part of their mission, and they will support its short-term financial needs to accomplish that mission. The Sisters discussed with NDNU its financial needs associated with the business plan, operations, etc. and the resulting cash requirements in addition to the funds generated by NDNU through the anticipated property sale closing date of

August 2025 and are entering into a formal \$16 million Line of Credit that is in the final documentation stages and is expected to be signed in December 2023. The \$16 million Line of Credit is in addition to a \$4 million loan advance which is being made in December 2023, which is not part of the Line of Credit, although both debt instruments are secured by NDNU's property assets.

At the time of the closing of the property sale, the Sisters will be repaid through an escrow account their outstanding loan of \$18 million and any funds borrowed from the line of credit of \$16 million. The net funds remaining to be transferred to NDNU will be substantial and will be able to provide significant annual support to the operations of NDNU on an on-going basis. Discussions with the Board of Trustees indicated that they have not formally designated the use of those net funds; however, they envision the funds will be for the support of NDNU as it completes its transition to a self-supporting institution and considers relocating its campus rather than remaining in its current location as a tenant with a smaller physical footprint.

During the visit, the Team reviewed the audit draft of the FY 2023 financial statements and discussed them with the newly appointed independent audit firm (i.e., auditors). The audit partner indicated the audit was 70% done and that he was expecting to issue a "clean unmodified opinion". The auditor shared the discussion that was held at the November Audit Committee meeting where there had been a conversation concerning whether NDNU presented a "Going Concern" issue for the audit firm. The audit partner indicated that NDNU was not a "Going Concern" Issue for the following reasons:

- Continued and available support by the Sisters in the form of bridge financing
- Decrease in size of net loss from the previous year

- Lack of increased liabilities
- Maintenance of liquidity
- Current business plan
- During FY 2023 the Sisters had increased their \$10 million loan to \$14 million
- In December 2023 the Sisters were advancing another \$4 million on their loan
- The \$16 million Line of Credit could be accessed as soon as February 2024 if needed.

The audit partner indicated one of the items that still needed to be received was the executed copy of the \$16 million Line of Credit between the Sisters and NDNU. This Line of Credit is disclosed as a subsequent event in the draft audited financial statements. The final audited financial statements will not be issued until receipt of the executed line of credit.

The Team also reviewed the draft Single Audit Report and Schedules which are to be issued at the same time as the audited financial statements. The auditor indicated their report was substantially completed. Review of the document indicated there were no material weaknesses of internal controls that would impact financial reporting or major federal programs. It also stated there were “None Reported” for significant deficiencies that had been identified and they did not rise to be material weaknesses. There were also no questioned costs nor findings to report. In the prior years there had been findings reported and those all had been resolved. These items are indications of improvements in controls.

The audit partner noted that the draft audit reports reviewed by the team were preliminary and subject to the final quality controls of the audit firm before final reports are issued.

The Team believes the strong financial commitments from the US East-West

Province of the Sisters of Notre Dame de Namur to fund NDNU, which have been demonstrated over the past several years and through the pending sale of the property (FY 2026) should provide for financial sustainability of NDNU through the completion of the property sale. Upon the completion of the property sale, the anticipated net proceeds should provide the Board of Trustees the available funding to sustain NDNU through the remainder of FY 2026, at which time the business plan (which is being funded largely in part by the infusion of cash by the Sisters) projects NDNU to be financially sustainable on an operating basis. (CFR 3.4)

B. Issue # 2: Planning

The university has not fully demonstrated integrated planning that aligns academic program strategy and long-term enrollment growth plans... NDNU needs to validate their new budgeting and enrollment processes and the underlying assumptions for enrollment growth using fall 2023 enrollment as its initial key datapoint. (CFRs 3.4 and 4.6)

The Commission also found at its meeting on June 30, 2023, that NDNU had not fully demonstrated integrated planning that aligns academic program strategy and long-term enrollment growth plans and therefore did not demonstrate compliance with CFRs 3.4 and 4.6. The Commission noted that NDNU had eliminated its in-person undergraduate programs and transitioned to providing online and hybrid professional graduate and bachelor completion programs and had begun to develop new programs.

The Commission determined that NDNU must implement a clear process for alignment of academic program strategy with enrollment growth plans that inform multi-year budget

development and scenario planning with all relevant stakeholders. In addition, NDNU must align operational, financial, and academic activities to grow the enrollment in their programs consistent with its mission and educational objectives.

The Commission indicated that growth in net tuition revenue is critical to the long-term financial viability of NDNU and that the budgeted increase in fall 2023 net revenue as outlined in NDNU's draft FY 2024 budget is a significant part of the financial plan. The Commission also indicated that NDNU needs to validate their new budgeting and enrollment processes and the underlying assumptions for enrollment growth using fall 2023 enrollment as its initial key datapoint.

In order to assess NDNU's actions and responses to the issue of integrated planning, the team reviewed the university's institutional report submitted September 29, 2023, along with related appendices, with a focus on strategic plan progress updates. Also reviewed by the team were NDNU's business plan, related financial and enrollment projections, and several process mapping reports. The team interviewed the president, her cabinet, the board of trustees, the finance and administration team, the strategic enrollment management team, the audit partner of the new independent auditing firm (Armanino, LLP), the academic deans, and the leadership team from the US East-West Province of the Sisters of Notre Dame de Namur.

The institutional report and its appendices submitted to WSCUC by NDNU responded to the issue of integrated planning in several ways noting that the issues of fiscal sustainability and integrated planning were intertwined. A primary area of response included the processes for developing, reviewing, approving, and updating the June 2022 institutional strategic plan. Other areas of response focused on enrollment plans and projections, financial projections including budgets and cash flow, the business plan and related interim financing, and updates

on efforts to develop or update processes for operational and academic policies with a focus on improved communication with, and involvement by, university stakeholders.

In regard to the June 2022 institutional strategic plan and its subsequent updates, NDNU reported that the four goals (fiscal sustainability, rebranding and market recognition, academic sustainability, and human capital management) underpinning the strategic plan were developed between November 2021 and May 2022 following a series of strategic planning workshops and retreats that were coordinated by the president's cabinet and attended by various university stakeholders. The university also reported that quarterly updates to the board of trustees are presented by the president and are developed by collecting update reports from cabinet members and deans that chronicle their work related to the implementation of the various strategies to achieve the four goals in the June 2022 strategic plan.

Interviews with various members of the university community confirmed community input into the formulation of the strategic plan and its updates. Interviews also confirmed that the Board of Trustees has been receiving quarterly strategic plan updates with the latest update presented at the November 2023 meeting of the board. Finally, interviews indicated that communications about the status of the strategic plan are multifaceted and include community forums, faculty meetings, staff assembly meetings, and "cabinet coffee" sessions where members of the president's cabinet answer questions from members of the campus community (CFR 4.6).

Review of other institutional planning documents and projections by the team show integration with the June 2022 strategic plan's goals and strategies. An example of this integration is the September 2023 NDNU business plan which provides funding projections and options for the implementation of most major strategies to achieve the four goals of the

June 2023 strategic plan. Funding projections and options in the business plan address bridge financing, marketing and enrollment investments, academic and instructional support, data infrastructure investments, and campus facilities investments.

Interviews with several leadership groups (board of trustees, cabinet, finance and administration team, strategic enrollment management team, academic deans, and the provincial leadership team) at the university provided the team with insights as to how planning efforts at NDNU are integrated and aligned with input from, and communication to, multiple university stakeholders including faculty, staff, students, and alumni. These insights included how NDNU utilizes an operational plan and update summary report to assign timelines, funding, and responsibility for implementing strategic plan strategies (CFR 4.6).

Review of fall 2023 enrolment results by the team showed that NDNU achieved for the first time in 10 years fall-to-fall enrollment growth with total headcount of 237 (+17.9%) and total credit hours of 1,667 (+ 20.5%). The review also showed that the February 2023 enrollment projection targets (headcount of 271 and credit hours of 2,113) for fall 2023 were not met with headcount short by 34 (-12.5%) and with credit hours short by 446 (-21.1%). Finally, the review indicated that the shortfall in fall 2023 enrollment resulted in a projected shortfall in tuition revenue of \$456,653 (-10.0%) for the FY 2024 operating budget.

The institutional report indicated that the new student headcount target of 114 was just five students short of the target of 109 and attributed this to the delay in the start of the MA DEI Leadership program. The institutional report also indicated that the retention of returning students was less than projected and attributed this almost entirely to educational credential programs which were impacted by tightened credentialing rules in California as well as an unusual number of students in credential programs taking leaves of absence.

Interviews with the strategic enrollment management team, finance and administration team, cabinet, and deans confirmed the reasons for the enrollment shortfall noted in the institutional report. The interviews also did not provide compelling rationale about the formulation of some key multi-year enrollment projections such as the starting numbers of new students in each program, the 10% annual growth factor for new students in all programs, and the 3% annual tuition increases for all programs. Finally, the interviews did not provide clear evidence of linkages between academic planning, enrollment planning, and budgeting.

The team therefore has concern that NDNU has not validated its budgeting and enrollment processes and the underlying assumptions for enrollment growth as requested by the Commission. This concern is based on the enrollment and tuition shortfalls from preliminary projections for the FY 2024 operating budget, the team's difficulty in reconciling enrollment assumptions with enrollment and revenue projections, and the lack of clear linkages between academic planning, enrollment planning and budgeting (CFR 3.4).

SECTION III – OTHER TOPICS, AS APPROPRIATE

There are no other topics to report,

SECTION IV – FINDINGS, COMMENDATIONS, AND RECOMMENDATIONS FROM THE TEAM REVIEW

A. Commendations

The team commends:

1. The leadership team from the US East-West Province of the Sisters of Notre Dame de Namur for their significant and continuing financial support of the university which is guided by a commitment to the continued mission and impact of the university.
2. The president, provost, and cabinet for the seriousness and focus with which they responded to the specific issues raised by the Commission and the previous team.
3. The Board of Trustees for maintaining an optimistic outlook yet holding a realistic understanding of the work that needs to be done for the university.
4. The university for developing and implementing a more dynamic and collaborative strategic planning process with clear integration across departments.
5. The university for its efforts to improve operational efficiencies including enrollment process mapping, development of curriculum and standards processes, filling leadership vacancies, hiring instructional designers, utilizing outside consulting expertise, making investments in information technology infrastructure, and investments in its academic success center with related restructuring to better support adult and online students.

B. Recommendations

1. In order to maintain financial sustainability (CFR 3.4), the team recommends that NDNU continue to improve its approach to financial documentation and forecasting which includes:
 - a. The use of fully substantiated enrollment projections to provide realistic budget projections based on clear and validated assumptions,
 - b. The strengthening of the links between academic planning, enrollment planning, and budgeting, and
 - c. The implementation of budget and financial modeling that includes multiple scenarios to inform decision making by administrative and academic leaders as well as by the board of trustees.