

AUC Budget Called in Shambles

That is the headline on a Massachusetts newspaper. Since the news is all over that state, our own people ought to be told also.

As you may know, nearly every college and university in America (with the exception of certain small ones, such as Hartland) is accredited by one or another of several large, regional accreditation associations. It is a death blow to a regular educational institution if it loses its accreditational status. According to the following article, our north-eastern educational institution, Atlantic Union College (AUC), located in South Lancaster, Massachusetts (40 miles west of Boston, 15 miles north of Worcester, and 200 miles northeast of New York City), was founded in 1882 as South Lancaster Academy by Elder Stephen N. Haskell. It was one of our earliest schools.

Those who have read our earlier reports (*Atlantic Union College, May 1996 [WM-682-683] and Recent Events: Fall 1999, December 1999 [WM-922]*) know that AUC has been on the brink of financial disaster for over half a decade.

The six conferences supporting it want the

Although the *New England Association of Schools & Colleges* has a strong and valid case in this instance, normally in our denomination such a threat of loss of accreditational status is the means by which liberals are able to maintain their stranglehold on our Adventist colleges and universities. When any attempt is made to dislodge worldlings or reform school standards or policies (as was done at Walla Walla College in the spring of 1998), liberal faculty members at the school quietly notify their friends at the accreditation agency to pay a visit and threaten dire consequences if attempts are made to maintain historic standards or fire liberal faculty members. Such a threat quickly stifles further efforts, by church leaders, at serious reform. Most students will not attend a non-accredited college, and federal and state grants will immediately be terminated.

school to remain open, yet most of the college-age students in those conferences do not attend it. Years ago, we reported on the worldly conditions at AUC. Apparently those conditions worsened enough that students decided to go elsewhere for instruction.

As reported at a special Union-wide church meeting in the spring of 1996, AUC is experiencing these problems because students living in the six local conferences it serves (Bermuda, Greater New York, New York, Northeastern, Northern New England, Southern New England) either attend public colleges or Adventist colleges elsewhere (primarily Southern University, Oakwood College, Andrews University, and Columbia Union College). They have discovered that they do not receive a quality education at AUC, so they go elsewhere. When a school does not have enough enrollment, it closes its doors. But AUC, and the conference constituencies it serves, decided it should remain open anyway. As a result, they will probably lose the school entirely.

Here is the complete article from the *Worcester Telegram and Gazette*. As indicated, most of the quotations are from the official report of the accreditation association's *Commission on Institutions of Higher Education*. Bold face and brackets are ours; parentheses were supplied by the newspaper. Unless otherwise specified, "AUC" refers to Atlantic Union College, not to Atlantic Union Conference, which owns it and in whose territory it is located.

AUC BUDGET CALLED IN SHAMBLES

Tuesday, September 11, 2001

LANCASTER—Serious problems have been found at financially troubled Atlantic Union College by the group that accredits most schools and colleges in New England, a step that typically leads to loss of accreditation.

In a blistering report, the *New England Association of Schools & Colleges* found serious deficiencies in Atlantic Union's curriculum and instruction, student services, maintenance and physical

resources, faculty, long- and short-term planning, library and information resources, and, especially, finances.

“The team that visited Atlantic Union College in April 2001 reported that **the college has neither demonstrated the ability to follow its prior plans, nor set forth realistic alternate plans for its future, despite its worsening circumstances,**” the report says.

Nobody from the association could be reached for immediate comment yesterday on the consequences of its negative findings.

The Seventh-day Adventist college has received several warnings from the association’s *Commission on Institutions of Higher Education* since an inspection team visited in 1998. **The visit produced 28 citations.**

At that time, the commission specified actions to be taken in several areas by certain dates. With most of the deadlines unmet, the concerns were repeated in a letter in March 2000 to the college’s administration, after a review of the college’s annual financial and enrollment report.

In a recent report, commission members say the financial condition of the college has continued to deteriorate and enrollment is lower than projected.

“The student accounts receivable are reported at \$1.2 million, on a base budget of \$14 million, and accounts payable [bills owed] have also increased.”

In 1996, with enrollment falling and an increasing deficit, constituents of the Adventist Church voted to raise \$1 million a year for five years and to increase enrollment, which was then around 500 students. Apparently, neither happened.

At a meeting June 18 with the inspection team, the latest report says, “the financial information made available to us was difficult to understand and left major questions unanswered.” For example, **no plan was voiced as to how a balanced budget will be achieved this fiscal year, with expenditures that must be reduced by \$1.3 million.**

The report questions whether college administrators should give “meaningful consideration to determining under what set of circumstances a decision would be made to cease operations.

“The college’s contingency plan for closing the institution includes a debt ceiling of \$8.7 million as one of the seven signals that it should close. That ceiling has been reached,” the report says, noting an increasing operating debt each year since 1997.

The college has relied on the Adventist Church

to keep it afloat. However, the inspection team reports that the Atlantic Union Conference, under which the college falls, is “very unlikely” to provide the amount of money needed.

In a May 21 letter to other Church officials, Benjamin D. Schoun, the new president of the Atlantic Union Conference of Seventh-day Adventists, pleaded for more cash for the college. Mr Schoun says in the letter that **for the college to make it through this summer, \$600,000 more is needed.**

“This year, the Atlantic Union (Conference) has loaned to the college \$1 million, and given as a special subsidy—beyond the normal subsidy—\$402,000 toward its emergency needs. It appears we must now appeal to the basic constituent units of this organization,” he says in the letter.

The Adventist Church in the Northeastern United States is divided into six conferences. A portion of the \$600,000 was requested from each conference.

According to the college’s last enrollment report, there are 491 full-time students, with 532 courses taught at various times by 51 faculty members. The commission said the large number of majors and courses offered at the college [vs. the small student enrollment] has contributed to its financial troubles.

“This has been a matter of persistent concern to the commission,” the report says.

The inspection team on both visits also found a “mismatch” between the current curriculum and the interests of the students, many of whom were more interested in preparation for careers than in liberal arts [which includes religion courses].

Student services also were found lacking, with little indication of an atmosphere “which fosters the intellectual and personal development of its students” [*i.e.*, not enough worldly entertainment is being offered].

The commission said surveys found “high levels of student dissatisfaction with residence halls, food service, social programs, the student service office, recreation, and worship.

“Additional surveys report a high level of depression among students. However, the level of support provided for such services falls short of the expressed need,” the report says.

“Based on the report of the team, the commission does not concur with the president’s (Sylvan A. Lashley) comment, reported by the team, that the perceived tension is ‘part of normal campus life,’” the report says.

A reporter’s telephone calls to the college yesterday went unanswered.

If Atlantic Union College does not remain ac-

credited, the college could lose federal and state grant money, resulting in further financial turmoil.

As for faculty, the commission was concerned about the low salaries disclosed during the 1998 visit. The pay was found to be too low to attract a qualified faculty, the report says.

There were small faculty raises in 1999 and 2000, but the 2000 raises were in response to a requirement that the college participate in a retirement plan. Most of the faculty members took the raise as their contribution to the plan.

The college library was found to lack the staff and space to handle technical services and reference functions. **Also, past security problems, in which hundreds of books disappeared, were noted. [Who is stealing books?]**

The report points out that the college in 1998 identified more than \$250,000 in high priority maintenance projects, in addition to several de-leading ["de-leading"; this is how both the newspaper article and the actual commission report spell the word] projects. As of April, \$87,000 had been spent on the work, with no money left for the remainder.

Atlantic Union [College] has been on a downward slide since a failed merger attempt in March 1996 with Andrews University, a sister Adventist college in Berrien Springs, Michigan. [It was already in dire financial circumstances prior to March 1996.]

Andrews withdrew its offer after members [leaders] of the Church, in an 11th-hour meeting, agreed to pursue the merger, but retain AUC's independence under the Atlantic Union Conference [thus giving AU all the responsibility for keeping AU College alive and giving AU Conference the ownership—an impossible situation, which AU recognized as such]. Shortly after the merger went down to defeat, former AUC president James J. Londis resigned, citing the botched negotiations with Andrews.

Mr. [Sylvan A.] Lashley, who took over in the fall of 1996, tried to make up the college's growing deficit by selling off several college properties and large tracts of land in Lancaster and Bolton. He also cut most of the college's athletic program, and laid off 11 staff members this year. [By selling the land, far fewer assets will be left to satisfy the creditors when the college eventually declares bankruptcy.]

Founded in 1885, the nonprofit *New England Association of Schools & Colleges* is the country's oldest accrediting organization. All degree-granting colleges and universities in New England are accredited by the organization. Evaluations are generally done every 10 years, with a self-study by the

schools' administrators every five years. There are additional site visits if major deficiencies are found.

That concludes the newspaper article, which was probably read with great interest by large numbers of Massachusetts's citizens.

The official commission report of the *New England Association of Schools & Colleges* consists of three small-print pages of technical data.

Here are several items not mentioned in the newspaper report:

"The team concluded that it was 'imperative' that these matters be addressed in a direct and timely manner."

In other words, the commission wants action, and soon or else. It also warned that the college was on a collision course with disaster if it did not make serious changes very soon.

"The commission declared that it was 'crucial that the college confront its immediate and long-term future with a realistic awareness of the possibility that things might not go as well as the institution had hoped and that grave decisions might have to be made.'"

You see, AUC had the opportunity several years ago to make the needed changes or close its doors. **By the spring of 1996, it was clear that AUC could not make it. Instead, union, conference, and college officials decided that they would keep going—even though it was obvious that there was little likelihood of an adequate increase in student enrollment that fall** (see our lengthy report, *Atlantic Union College, May 1996 [WM-682-683]*).

All the college needed to do was close its doors until a future time when it would have strong assurance of a much better enrollment. But **today the likelihood is strong that, because it has gotten so far in debt, AUC will have to close its doors permanently due to bankruptcy.** This will mean the entire property and equipment will have to be sold to pay the creditors. Here is the paragraph, part of which was quoted by the newspaper, which indicates that such a bankruptcy is likely to occur:

"In the past, the college has relied on the Atlantic Union Conference to provide additional support for the college, the team reports. However, the president of the Union indicates that it is 'very unlikely' that such extraordinary support will be provided in the future. Indeed, while the Church continues to be supportive, in the words of the team, it has indicated in definitive terms that it no longer will be able to provide loans beyond the current level and indeed must require the institution to pay back some of its most recent borrowings from the Atlantic Union."

That was a very clear statement. AUC has reached the point where its continual ever-deepening draining of conferences and union funds cannot continue as before. —And the Union wants AUC's most recent borrowings to be repaid. Only bankruptcy proceedings will be able to do that. Church leaders are apparently deciding that they will stand clear and let AUC fall.

As noted earlier, low student enrollment is the causal factor which is taking down the school. Here is what the commission report says about this:

“The team reports a student/faculty ratio of 11:1 with 532 courses being taught by 51 FTE faculty, with an enrollment of 491 students.”

On average, there are only eleven (!) students in each class.

But that which would quickly hasten the crash will be a dramatic drop in enrollment. Such a dramatic downturn of student enrollment will occur as soon as the accrediting association stops pleading with the school—and cancels AUC's accreditation. Then more than half of the students will transfer out.

The commission report dealt with seven specific areas: Planning and Evaluation; Programs and Instruction; Faculty; Student Services; Library and Information Resources; Physical Resources; and Financial Services.

The report discussed one after another of those seven areas, and concluded nearly all of them with a comment, similar to this one:

“Given the institution's failure to address those conditions, which seriously threaten its future, we find that Atlantic Union College does not meet our standard on Planning and Evaluation.”

So it would appear that serious trouble is ahead for the struggling college.

“Atlantic Union College has failed to demonstrate its ability to productively address the problems that confront the institution.”

“No substantial progress has been made in addressing the serious problems outlined in the letter through careful planning.”

“The team that visited Atlantic Union College in April 2001 reported that the college has neither demonstrated the ability to follow its prior plans nor set forth realistic alternate plans for its future—despite its worsening circumstance.”

“The team . . . noted the ‘lack of evidence that contingency financial planning has institutional support by key members of the management team’ and

others at the institution.”

Here are the concluding four paragraphs of the commission's report:

“These conditions support our finding that Atlantic Union College does not meet our standard on Financial Resources, which declare in addition to those noted above.”

The final three paragraphs consist of accreditation standards on financing which AUC is not meeting. On each of them the college is receiving a failing grade. The ellipses (multiple dots) in those paragraphs are theirs.

“9.1 The institution is financially stable. Ostensible financial stability is not achieved at the expense of educational quality. The institution's financial resources are sufficient to sustain the achievement of its educational objectives now and in the foreseeable future . . . The institution has the ability to respond to financial emergencies and unforeseen circumstances.

“9.2 The institution controls its financial resources and allocates them in a way which reflects its mission and purposes . . . The institution demonstrates its ability to graduate its entering class.

“9.3 The institution ensures the integrity of its finances through prudent financial management and organization, a well-organized budget process, appropriate control mechanisms, and timely financial reporting, providing a basis for sound financial decision making. The institution has and implements a realistic plan for addressing issues raised by the existence of any operating budget.”

“The counsel of the Lord is needed. The school should have a sufficient income not only to pay the necessary running expenses, but to be able to furnish the students during the school term with some things essential for their work.

“Debts must not be allowed to accumulate term after term. The very highest kind of education that could be given is to shun the incurring of debt as you would shun disease. When one year after another passes, and there is no sign of diminishing the debt, but it is rather increased, a halt should be called. Let the managers say: ‘We refuse to run the school any longer unless some sure system is devised.’ It would be better, far better, to close the school until the managers learn the science of conducting it on a paying basis. For Christ's sake, as the chosen people of God, call yourselves to task and inaugurate a sound financial system in our schools.”—*6 Testimonies*, 211.