

## **Working Group – Standard VI – Planning, Resources, and Institutional Improvement Interim Report #3 – December 7, 2020**

**The institution’s planning processes, resources, and structures are aligned with each other and are sufficient to fulfill its mission and goals, to continuously assess and improve its programs and services, and to respond effectively to opportunities and challenges.**

### **Part I: Standard Overview**

*Standard VI is a sweeping assessment of large scale, University-wide policies and processes. This standard requires the committee to see how Mercyhurst works to ensure not only that individual units are well resourced and forward looking, but how those individual units fit together to meet the mission and goals of the institution as a whole. Our task was to examine if and how different units of the University articulate a clear procedure for planning and implementation of Mercyhurst’s programs and services with an eye toward collecting data that allows for measurable assessment and concomitant improvement.*

*In seeking data to show how Mercyhurst’s processes, resources, and structures work together to allow us to fulfill our educational mission to our students, the committee was challenged to push beyond what might be called “institutional folk knowledge”—things that different individuals might know (or think they know)—to find whether and where clear evidence of policy and procedures exists that will help give unit leaders, and constituents, the ability to respond to an ever changing higher education landscape.*

### **Requirements of Affiliation**

**5. The Institution complies with all applicable government (usually Federal and state) laws and regulations.**

#### **Potential Evidence**

Below is a sampling of the numerous laws and regulations that Mercyhurst complies with in its day to day practices while carrying out its Mission and Core Values:

Age Discrimination Act of 1979	Conference and NCAA compliance
Titles IV, VI, VII, IX	Copyright Act
ADA	HIPAA
ADEA	Program Integrity Rules
Equal Pay Act	Gainful Employment Rules
ERISA	State Authorization Rules
Fair Housing Act	DOD MOU
Immigration and Nationality Act	Yellow Ribbon
SEVIS	PA Clearance Rules
Pregnancy Discrimination Act	IRS Reporting
FERPA	Federal Grants and Contract Rules
GLB	HEOA
Red Flags	Student Consumer Information Disclosures
VAWA	

### **Summary of Evidence**

Mercyhurst carries out standard practices and procedures that align with the compliance of the many laws and regulations that impact all areas of its functionality in the realm of higher education. Various university handbooks, catalogs, and websites contain references to and information on how the university complies with applicable laws and regulations. The Student Consumer Information page contains links to many policies related to compliance with state and federal laws and regulations.

A recent example of how Mercyhurst University complies with federal and state laws and regulations is evident in relation to the updated Title IX grievance process that took place in August of 2020. In response to the U.S. Department of Education's launch of an update to the regulation of Title IX and new resources for students and schools, Mercyhurst has modified the Title IX grievance policy which became effective immediately upon release. As reference, the Student Consumer Information page mentioned above includes this updated Title IX grievance policy and procedure.

The Employee Handbook found on the HR HUB page also references numerous areas of legal compliance. The course catalog also references several laws and regulations.

### **Summary of Compliance**

Mercyhurst University complies with applicable state and federal regulations as evidenced in handbooks, catalogs, and university websites. The community is notified of the policies through handbooks, email notifications, and website postings. In addition, annual compliance workshops for employees are offered by the Office of General Counsel each summer and are an effective mechanism to ensure employees are aware of the regulations and what each may mean in relation to their area of work at the university.

### **7. The institution has a mission statement and related goals, approved by its governing board, that defines its purposes within the context of higher education.**

#### **Potential Evidence**

Mission, Vision, and Core Values

Mission Self Study

Emissary Program

Strategic Plan 2018-2020

Board of Trustees Meeting Minutes Winter 2018 – Winter 2020

Employee Handbook

Faculty Handbook

### **Summary of Evidence**

The mission, vision, and core values of the institution is clearly articulated in a wide range of documents across the University, included a dedicated page on the Hub. The Mercyhurst Emissary programs for employees and students empower cohorts to be guardians of the Mercy and Catholic education, to develop and embody a whole new way of Mercy leadership in higher education, and to ensure that the Mercy Heritage is carried on into the future so that we are an honest, hope filled mission community.

Operationally the commitment to the mission of the institution is found in the Strategic Plan. The Strategic Plan helps drive the comprehensive planning for items like facilities, infrastructure, and technology that are essential for the maintenance of the University's overall physical plant. It is also an important tool for resource allocation in support of the University's mission and goals. The minutes of the Board of Trustees provide evidence of putting the Strategic Plan, with its focus on Mission, into practice. The minutes are housed with the Board Services team, specifically with the Executive Director of Events and Board Services. Given that the Board of Trustees is the University's governing body, official minutes are kept for the Board's three annual meetings as well as all committee and subcommittee meetings. The minutes are official record of University business and how decisions are made and thus provide evidence for whether and how the mission is implemented. They therefore serve as a valuable resource for assessment of decision-making processes and for record-keeping purposes.

The Handbooks for both Employees and Faculty are also grounded in the Mission, Vision, and Core Values of the institution and use these as reference points for policies and decisions.

## **Summary of Compliance**

Per the Mission Self-Study: "As Mercyhurst University continues to reflect on the information gathered in this self-study and considering the University's ongoing strategic planning and approaching centennial, many areas for growth and renewed emphasis emerge. These areas of continuing action and reflection will be organized once again around the [Conference for Mercy Higher Education's] Mission Core Areas. Each goal or initiative is accompanied by a priority level and a target timeframe." The goals/initiatives to use mission, vision, and core values in future planning are: Curricular Development and Integration, Hiring, Orientation and Onboarding, Ongoing Formation for Mission, Space, Art and Symbolism, Worship and Reflection, Engagement in Community and Celebrations, Sponsorship, CMHE and Ecclesial Relations, and Catholic Social Teaching in Action.

### **8. The institution systematically evaluates its educational and other programs and makes public how well and in what ways it is accomplishing its purposes.**

Assessment Handbook  
IPEDS Webpage  
Maintenance Ticketing System

The Assessment Handbook (most recent from Fall 2019) is available through the Office of Institutional Effectiveness and is available in the Assessment and Accreditation section (under the Academics tab) on the University's Hub. The Assessment Coordinator, working with Department Chairs, uses the Handbook as a guideline for the specifics of assessment planning

and reporting. Assessment is intended to help departments not only engage in critical self-reflection about whether its programs and policies are producing explicated student learning outcomes. It also assists with determining if and how the department's curriculum and policies advance the mission, vision, and core values of Mercyhurst University

The Assessment Handbook clearly states objectives for the units within the University and explains how the assessment process is to function. The Assessment Coordinator and Associate Provost for institutional effectiveness determine whether the policies and procedures described in the Handbook are implemented.

The IPEDS report is the Integrated Postsecondary Education Data System Report. It is updated yearly and housed in Finance. The IPEDS report finance portion provides context for understanding the resources and costs of providing postsecondary education. It can be used by participating institutions oneself to similar institutions and it provides valuable data to analyze where institutions' revenues are generated, and expenses are incurred.

The IPEDS report provides a yearly assessment of the institution's revenues and expenses by category and location.

The Maintenance Ticket System is located as a quick link on the main Employee Hub page. It was implemented to request any maintenance related work: Electrical, Heating/Cooling, Plumbing, and Building maintenance (door repairs, ceiling tiles, lights, etc..). Landscape/Grounds maintenance and Custodial services are also performed by this department. An employee accesses the work request form using the quick link on the Employee Hub page. Their contact and office information, along with a description of the work they are requesting, is submitted. A confirmation email is received and a staff member from the appropriate maintenance team will then reach out for further details and a date and time for performing the requested work.

### **Summary of Compliance**

The University has systems and procedures in place to assess the function of its academic and student services operations, its financial situation, and its physical plant.

**9. The institution's student learning programs and opportunities are characterized by rigor, coherence and appropriate assessment of student achievement throughout the educational offerings, regardless of certificate or degree level or delivery and instructional modality.**

### **Potential Evidence**

The Assessment Handbook  
The Course Change Form  
Course Equivalency Guide  
Program Change Application  
New Program Application  
IDEA Diagnostic Instrument  
Modified USE Survey - Student Satisfaction  
Programmatic Accreditation Chart  
Strategic Plan 2018-2020

### **Summary of Evidence**

The Assessment Coordinator, working with Department Chairs, uses the Handbook as a guideline for the specifics of assessment planning and reporting. Assessment is intended to help

departments not only engage in critical self-reflection about whether its program and policies are producing explicated student learning outcomes, but also to determine if and how the department's curriculum and policies advance the mission, vision, and core values of Mercyhurst University. The Assessment Handbook clearly states objectives for the units within the University and explains how the assessment process is to function. The Assessment Coordinator and Associate Provost for Institutional Effectiveness are the two individuals on campus who determine whether the policies and procedures described in the Handbook are being implemented.

Departments at the University follow clearly explicated procedures to keep their curricula relevant in a 21<sup>st</sup> century context. For micro-level changes the University requires departments to fill out a Course Change Form is housed on the Mercyhurst Hub under the Provost's page. The form is used to make changes and/or corrections to course listings, to the course numbers, descriptions, and credits earned. The document also seeks information as to the change's impact to the REACH curriculum or impacts to other programs. The document requires appropriate approvals from Academic Planning and Assessment Committee (APAC), the Department Chair, Dean and Provost. Any changes must have the concurrence of these parties in order for the request to be implemented.

Especially crucial in maintaining academic excellence in a time of pandemic is the Course Equivalency Guide. It is available through the Mercyhurst Hub under the Provost's page. The guide is regularly communicated to faculty to ensure that learning experiences for students meet accreditation requirements. The guide outlines in specific details how faculty may substitute alternative learning applications for classroom time. The details provided offer guidance to faculty to follow and ensure adequate learning occurs by students.

The current process in placed to assess student satisfaction in the delivery of courses is the IDEA diagnostic tool. This tool is used for every section of every course taught by Mercyhurst faculty. Information about this diagnostic tool is available under the Assessment & Accreditation folder under the Academics tab on the Mercyhurst Hub. IDEA is one component in the evaluation of teaching effectiveness at Mercyhurst. Individual faculty members, Department Chairs, Deans, and the Rank & Tenure Committee use these data. The IDEA student satisfaction survey has only been used on a University wide scale starting in Fall of 2018, therefore further data gathering and review are required to determine if the data provided are an accurate reflection of teaching effectiveness at Mercyhurst and/or if the data provided allow for concrete, measurable improvement over time.

The Modified Use Survey is another student satisfaction tool that is sent to students seeking input on a variety of campus-life experiences. The survey is sent asking for information on 15 different areas including, but not limited to IT, Library, Food Service, etc. The survey provides students an opportunity to offer insights and information on their campus experience. The feedback is shared anonymously with the appropriate campus administrators. The results of the survey help measure the adequacy of resources available for students and provide data to determine whether students' needs are being met.

Recognizing the need for the University to stay relevant in its program offerings, Mercyhurst has applications for changing an existing program or the creation of a new program. These applications are available on the Mercyhurst Hub from the Provost's page This document is used to apply for a new program by faculty. These applications request a detailed overview, analysis, course of study requirements, recommended course completion outline, and learning outcomes. The request must be approved by APAC, Faculty Senate, Department Chair, Dean, and Provost,

then sent to the Registrar's office for filing and programming. The form and University governance hold Faculty and Administration accountable to ensure a process is followed to consistently review and approve programs that advance the mission of the University. Additionally, the Registrar's office regularly refers to the approved document for any clarifications needed.

Further evidence of the rigor of the University's academic programming can be found in the Programmatic Accreditation Chart that is available through the Office of Institutional Effectiveness and is available in the Assessment and Accreditation section (under the Academics tab) on the University's Hub. The document is available to provide information on the various programs that have been accredited with links to the various accreditors' sites. It is a quick reference guide that clearly documents the accreditations of various academic programs. This, in turn, allows members of accredited programs information about their programs' responsibilities.

All of the above are governed by the first goal of the Strategic Plan (2018-2020): "Deliver a Mercyhurst education that provides students with a distinct and transformative academic experience in preparation for personal and career success while empowering them with the knowledge and attitudes to lead fulfilling, civically engaged lives." The Strategic Plan is available on the Mercyhurst external website under the 'About' tab by clicking on "Planning and Assessment." A new strategic plan was in the process of being created for approval in Fall 2020. Due to Covid-19, however, the new Strategic Plan has been delayed and the current plan will remain in place for the time being. The document is often used in the overall decision-making process at the University's cabinet level (per the Vice President for Strategic Initiatives).

## **Summary of Compliance**

The Strategic Plan helps drive the comprehensive planning resource allocation in support of the University's academic mission and goals. There are clear policies and procedures in place for developing, changing, and assessing courses, programs, departments, and Colleges. Compliance is a matter of shared governance between the Faculty Senate and the Office of the Provost.

## **10. Institutional planning integrates goals for academic and institutional effectiveness and improvement, student achievement of educational goals, student learning, and the results of academic and institutional assessments.**

### **Potential Evidence**

Strategic Plan 2018-2020

Annual State of the University Address

Assessment Handbook

Freshman Course Preference Survey

IDEA Diagnostic Instrument

Modified USE Survey

Change of and New Program Applications

Substantive Change for Closure of North East Branch Campus

## Summary of Evidence

The single most important piece of evidence for the University's institutional planning is the Strategic Plan (2018-2020). The document is frequently used in the overall decision-making process at the University's cabinet level and frequently referenced in conversation with the University's Board of Trustees whom approves the document. This document helps drive the comprehensive planning for items like facilities, infrastructure, and technology that are essential for the maintenance of the University's overall physical plant. It is also an important tool for resource allocation in support of the University's mission and goals. The University began in fall 2019 to start the process to create a new strategic plan to cover the following three years. The early stages of this process were underway when the COVID-19 pandemic hit and given the uncertainty that the pandemic was causing, the planning process was paused. Additionally, in October 2020 the Mercyhurst President announced his retirement, and thus the University will re-evaluate the timeline for creating the next strategic plan.

How well the institution is doing in meeting the goals enumerated in the Strategic Plan is data that makes up part of the President's State of the University address delivered each Fall immediately prior to the start of the academic year. This address is created in partnership with the President's Cabinet and the Director of Public Relations. The overall themes presented in this document are frequently used by vice presidents and departmental units as the year progresses. The creation of this document serves as an opportunity for much of the campus to review the past year for the successes and failures as we look forward to the next academic year. It also provides a key enrollment update for the University's employees who are not in the enrollment management unit.

Assessing how well the University is meeting the goals of institutional effectiveness and improvement is the job of the Office of Institutional Effectiveness which created an Assessment Handbook (last revised Fall 2019) that is available through their office and the Accreditation section of the University's HUB page. The Assessment Handbook is a guideline for specifics of planning and reporting. The Assessment procedures are intended to help departments not only engage in critical self-reflection about whether its program policies are producing explicated student learning outcomes, but also to determine if and how the university's curriculum and policies advance the mission, vision and core values of Mercyhurst University.

In order to help students meet their education goals from the start of their time at the University, Mercyhurst sends a standard survey to incoming freshmen to gauge their interest in courses in the freshman's first semester. The questions seek guidance on what classes are of interest for the students to ensure their first experience on campus meets their needs and expectations. The students respond to the survey and courses are selected during the summer by University staff. This helps provide a set of data to help fulfill students' educational objectives as well as provide information about where further instructional resources might be needed.

How well students feel the University delivers on its academic promises is assessed, in part, through the IDEA diagnostic tool is used for every section of every course taught by Mercyhurst faculty. Information about this diagnostic tool is available under the Assessment & Accreditation folder under the Academics tab on the Mercyhurst Hub. IDEA is a key component in the evaluation of teaching effectiveness at Mercyhurst. Individual faculty members, Department Chairs, Deans, and the Rank & Tenure Committee use these data.

Another tool the University uses to gather data about student experience is the USE survey instrument. This instrument is to all students seeking input on a variety of topics related

to student life on campus. This survey includes questions on 15 different areas including, but not limited to, information technology, library, food service, etc. The survey provides students an opportunity to offer insights and information on their campus experience.

The University Provost's Office created a Program Change and a New Program Application form that is available via their Hub site. These documents allow a department to meet the changing expectations of the discipline and of their students as they work towards continuous improvement. The applications request a detailed overview, analysis, course of study requirements, recommended course completion outline, and learning outcomes. The request must be approved by the Academic Planning and Assessment Committee (APAC), Faculty Senate, Department Chair, Dean, and Provost, and then sent to the Registrar's Office for filing and programming.

In order to financially support effective planning for improvements at the institution, Mercyhurst University Advancement produces a series of reports that are provided to the Board of Trustees Committee on Advancement among others. Reports are available via the University Advancement office and allow for a year-to-year comparison of performance by that unit. The strengths/weaknesses of this performance should be considered when allocating the Advancement Unit's annual budget.

A major data-driven decision that demonstrates the University's commitment to academic and institutional effectiveness and improvement is the decision to close the North East branch campus. The Mercyhurst University Board of Trustees elected in fall 2019 to close this branch campus as of May 2021. The Substantive Change for Closure of North East Branch Campus application provided to Middle States gives evidence of this decision-making process. This document serves as a record and documentation of the long-term research and analysis that was conducted as to the feasibility of retaining the branch campus in future years. Due to the COVID-19 pandemic, the University administration and its Board of Trustees elected to accelerate the closure, moving many of the academic programs to the Erie campus and disbanding athletic teams one year earlier than originally planned.

## **Summary of Compliance**

The Strategic Plan is used to make resource allocations across the institution. The State of the University address communicates significant information about how well the University is meeting those goals on a University level. The Assessment Handbook clearly states the overall objectives for individual units with the University – both academic and student services – and details the key players in the assessment processes. The Handbook also provides guidance on creating the Five-Year Self-Study documents that are a critical component of the assessment cycle to ensure that unit effectiveness and improvement.

The University solicits data from students through its Freshman Course Preference Survey, the use of the IDEA student satisfaction survey, and the USE survey. It should be noted that the IDEA student satisfaction survey has only been used on a University wide scale starting in Fall of 2018. Therefore, further data gathering and review are required to determine if the data provided are an accurate reflection of teaching effectiveness at Mercyhurst and/or if the data provided allow for concrete, measurable improvement over time.

Finally, when data from tools above suggest that change or development is necessary at the department level, the Change of and New Program application forms hold faculty and administration accountable to ensure a process is followed to consistently review and approve programs that advance the mission of the University. Additionally, the Registrar's office



regularly refers to the approved document for any clarifications that are needed and assists greatly in the set-up process.

**11. The institution has documented financial resources, funding base, and plans for financial development, including those from any related entities (including without limitation systems, religious sponsorship, and corporate ownership) adequate to support its educational purposes and programs and to ensure financial sustainability. The institution demonstrates a record of responsible fiscal management, has a prepared budget for the current year, and undergoes an external financial audit on an annual basis.**

### **Potential Evidence**

Board of Trustee Meeting Minutes  
Conflict of Interest Policy  
Strategic Plan  
Budget Management Policies and Procedures  
Personnel Action Form  
Substantive Change for Closure of the North East Branch Campus  
Annual Financial Audit  
Annual Management Letters  
Comparative Cash Graph  
Continuing Disclosure of Bond Compliance  
Indirect Cost Rate  
S&P Bond Rating Reports

### **Summary of Evidence**

The Board of Trustees of the University has the ultimate fiduciary responsibility for ensuring that the university has sufficient financial resources to support its educational purposes and programs and maintain financial sustainability. The Board of Trustees fulfills these responsibilities through an active Board of Trustee Committee Structure. While separate committees exist to address a variety of responsibilities, including mission, governance, academics, student life, advancement, endowment, compensation, and buildings and grounds, it is the Audit Committee and the Budget and Finance Committee that have primarily responsibility for ensuring the University fulfills its fiscal management responsibilities and remains financially sustainable.

The Board of Trustees and the Board Committees meet three times each fiscal year. Written minutes document all official board and committee activities, including formal motions on all voting matters and a summary of key matters discussed at each meeting. The minutes serve as the official record of key business decisions impacting the institution.

The Board of Trustees has adopted a Conflict of Interest Policy (the Policy). The Policy covers the University's Board of Trustees, the President's Cabinet, and other University Officers who are not members of the President's Cabinet. The Policy governs disclosure and conduct of business relationships and transactions between those covered by the Policy, certain related family members of the covered individual, and the University. An annual disclosure statement outlining either compliance with the Policy or identification of potential conflicts with the Policy is required from everyone covered by the Policy. Individuals are required to update any new conflicts or changes to previously disclosed conflicts if anything arises in between the annual

disclosure statement. Individuals are required to abstain from any action involving an area of conflict. The Conflict of Interest Policy and the annual disclosure forms are reviewed by the Executive Committee of the Board of Trustees on an annual basis. The Audit Committee also is charged with monitoring the Policy and completion of the annual disclosure statements on an annual basis. Finally, the annual disclosure statements are provided to the Vice President for Finance and Administration, General Counsel and Vice President for Legal Affairs, Director of Finance and Budget, and the independent auditors. The Policy is maintained by the Executive Director of Events and Board Services, who is a member of the President's Cabinet. Adoption of Policy by the Board of Trustees demonstrates responsible fiscal management and is viewed as a best practice for boards and university management.

The University's Strategic Plan 2018-2020 and its four goals were developed to ensure adequate financial resources existed to support the educational purposes and programs and to ensure financial sustainability for the university during the planning period and beyond. Detailed reports of progress made towards each goal by fiscal year are provided to the Board of Trustees at least annually. The last update was provided to the Board of Trustees for its February 2020 meeting. A new strategic plan was in the process of being created and was on target for approval at the Board's October 2020 meeting, however, the new plan was delayed due to the onset of COVID -19. Subsequently the new plan was put on hold after the President announced his retirement at the end of the 2020-2021 academic year.

The University's financial resources are best shown in its annual financial statements. Primary sources of financial resources include tuition, fees, and room and board from students, and private gifts grants and contracts from private donors and federal, state, and local funding authorities. Students provide the most significant funding source to support its ongoing educational purposes and programs and ensure financial sustainability.

The University demonstrates a record of responsible fiscal management through the preparation of an annual operating budget, and ongoing monitoring thereof, a strategic plan, an external financial audit, and various compliance reports demonstrating responsible financial stewardship.

The University implemented a new Budget Management Planning Process in October 2018 for Fiscal Year 2020. The Planning Process starts in the fall prior to the start of a given fiscal year and concludes in July. The Budget Development and Management Team (Budget Team) comprised of individuals with appropriate educational credentials coordinates the process with the President's Cabinet. Forms to request funding increases in the areas of New Funding Requests (including both Recurring and Non-Recurring Expenditures), Existing Contractual Commitments, Capital, and Intra Year Funding Requests to use Operating Contingency must be completed in order for a request to be considered by the President's Cabinet. Each of the forms requires a description of the anticipated outcome or return on investment, as well as how the expenditure would support the University's Mission and Strategic Plan. The forms are summarized by the Budget Team and presented to the President's Cabinet for their review and decision. Once decisions have been made on the requests, the Budget Team summarizes the Annual Operating Budget for presentation to the Budget and Finance Committee and the Board of Trustees for approval. The new process has been in place for two fiscal year cycles.

An important form in the Budget Management Planning Process is the Personnel Action Form (PAF). PAFs are used to hire and terminate employees, as well as request pay adjustments and stipends. New employee hires also require the completion of a Personnel Requisition Form in order to complete the hiring process. PAF forms are submitted and reviewed by Human

Resources (HR) on a weekly basis. The Budget Team reviews all PAFs to ensure budget funding is enough to support the action. If funding is not enough, no action is taken and the PAF is returned to the department for resolution.

During the fiscal year, the Budget Team along with the President's Cabinet monitor the operating budget. Vice Presidents can reallocate funding within their areas to address projected budget shortfalls or unplanned expenditures. The Intra Year Funding Form to use Operating Contingency is an option that a Vice President can pursue. All Intra Year Funding Request Forms require approval of the President.

As a result of various economic and demographic factors, the North East Campus was evaluated for continuation in its current form. After extensive study and evaluation, a decision was made by the Board of Trustees in August 2019 to begin a phased closure of the North East Campus. A Substantive Change for Closure of the North East Branch Campus was submitted and approved.

With the onset of the COVID-19 pandemic, the President and the Cabinet decided to accelerate the closure of the North East campus to help ensure the overall financial sustainability of the University. Faculty, staff, and administrative layoffs at both the Erie and North East campuses occurred in the Spring of 2020, shortly after the pandemic took its hold on the country. The consolidation and movement of many the North East Campus academic programs was accelerated to the Fall of 2020, a full year ahead of schedule. Residential housing at the North East campus was also shuttered for the Fall of 2020, and instead was designated for use to first quarantine international students or students arriving from designated "hot spot" states in the Fall of 2020. Later the housing was used to isolate COVID-19 positive students and quarantine other students who had been in close contact with COVID-19 positive individuals.

COVID-19 also challenged the Annual Operating Budget for Fiscal Year 2020. The original University budget was projected at a \$250,000 operating margin. The pandemic forced the University to close residence halls and food service venues and move to remote learning the third week in March 2020 for both the Erie and North East Campuses. As a result, the University lost \$4.3 million in room and board revenue. The President's Cabinet took immediate action to implement expense reductions through layoffs, key contract renegotiations, deferral of planned capital projects, among others, and implemented several expense controls. The results of all the expense reductions and controls along with the University's receipt of approximately \$1.6 million dollars from the Federal government CARES Act resulted in an operating loss of only \$1 million dollars as opposed to the potential loss in excess of \$4 million.

An annual audit and resulting Financial Statements are required by a variety of federal, state, and local governmental and regulatory agencies, bondholders, granting agencies, banks and investment firms, donors, the University's Board of Trustees, and other constituencies. The university's annual audited Financial Statements have included unmodified audit opinions from the independent accounting firm, which confirms that the statements are free from material misstatement, and that the financial statements are presented fairly in all material respects. An unmodified audit opinion also confirms the university's financial viability, as the independent accounting firm would otherwise issue a going concern audit opinion. The Financial Statements document the university's financial resources, funding sources, and the purposes and uses of those resources.

As part of the annual independent audit, the independent audit firm is required to provide a written report to the Audit Committee which summarizes certain matters that are required to be

communicated to governance. The written report includes a Management Letter which outlines any deficiencies in internal control, which could threaten an institution's financial viability if not corrected. The Management Letter categorizes deficiencies in internal control into three categories: material weaknesses, the most serious deficiency, where there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis; a significant deficiency, a deficiency that is less severe than a material weakness, yet important enough to merit attention by those charged with governance; and a control deficiency, the least severe of the three types of deficiencies, and can include control objectives that are either missing or are not properly designed to meet the control objective. Management provides responses, and if applicable, corrective action plans for each of the identified deficiencies. The Management Letter serves as one mechanism to ensure continuous improvement in the University's internal control system. The Management Letter is taken very seriously by the university's management, and the status of corrective action plans is monitored on a periodic basis. The university did not receive any deficiencies in its annual financial audit for the fiscal year ended May 31, 2020, which is rather uncommon, particularly during a pandemic.

The University has a number compliance filings and internal reports which serve to demonstrate responsible fiscal management. A Comparative Cash Report is an internal report showing the University's total cash and cash equivalents over a several year period. The report is reviewed by the Budget and Finance Committee of the Board of Trustees at each meeting. It is used by university management to assess the adequacy of cash reserves and plan for potential uses of the line of credit to supplement operating cash.

The Indirect Cost Rate is a means to allocate administrative costs to qualifying grants and contracts. It provides a mechanism for the University to receive reimbursement for use of administrative time and materials used in satisfying grant and contract requirements, thus helping to ensure financial sustainability. The Indirect Cost Rate is calculated every three years and must be submitted to and approved by an institution's cognizant Federal Agency in order to be used in charging costs to grants and contracts.

The Continuing Disclosure of Bond Compliance outlines a series of mandatory reporting requirements by the university in each of the tax-exempt bond issues. The annual filing requirement must be submitted electronically by October 31 each year to the Municipal Securities Rulemaking Board (MSRB). Failure to comply with the Continuing Disclosure requirements could trigger a default in one or more of the tax-exempt bond issues.

Similarly, the University is required to submit a variety of financial, enrollment and other data requested by Standard & Poor's (S&P) to facilitate their review and rating of both the University and the University's tax-exempt debt issues. The S&P Bond Rating Report is a public document expressing S&P's opinion on the University's financial health based on a number of factors, including overall industry risk, market position and demand, management and governance, financial profile and available financial resources, and long term debt. The report is used primarily by external bondholders, potential investors in the University's bonds and financial institutions. On April 29, 2020, as a result of COVID-19, S&P issued a Revised Ratings Outlook on Certain U.S. Not-for-Profit Higher Education Institutions. In that report, the University's long-term bond rating was changed from BB with a Stable Outlook to BB with a Negative Outlook.

## Summary of Compliance

The University has successfully undergone an external financial audit on an annual basis. Audited Financial Statements have been issued with unmodified audit opinions by the independent accounting firm, which provides evidence of the university's financial sustainability. Additionally, the University submits a variety of compliance filings and reports that demonstrate responsible fiscal management.

A review of the Budget Management Planning Process indicated that it has been clearly communicated by both the Budget Team and the President's Cabinet to the Budget Directors. While the new process has successfully resulted in the development and approval of two Annual Operating Budgets, improvements need to be made. In some cases, the required forms were lacking in completeness, including the required Vice President Approval. Ties to the University's Mission and Strategic Plan were not clear in many cases and need to be strengthened moving forward. While decisions on each request were noted on a summary excel spreadsheet, improvement needs to be made in documenting the rationale for approval or denial of each request in the future.

COVID-19 resulted in the University moving to remote learning and closing the Erie and North East campuses the third week in March 2020. The University moved quickly to respond to external forces that resulted in a myriad of ever-changing regulatory requirements at the Federal, state, and local levels that were often at odds with one another. A series of expense reduction and cost containment measures resulted in safeguarding the health of the university's students and employees, minimizing the potential loss to the University's Annual Operating Budget, and ensuring the financial sustainability of the University for the foreseeable future.

**12. The institution fully discloses its legally constituted governance structure including any related entities (including without limitation systems, religious sponsorship, and corporate ownership). The institution's governing body is responsible for the quality and integrity of the institution and for ensuring that the institution's mission is being accomplished.**

### Potential Evidence

Audited Financial Statements  
Board of Trustee minutes  
University Strategic Plan  
Conflict of Interest Policy  
Provost Council Meeting Minutes  
General Policies and Procedures  
Organizational Chart

### Summary of Evidence

Mercyhurst University fully discloses its principals of consolidation and related entities in Note 1 of the annual audited Consolidated Financial Report which can be found in the Finance department. For fiscal year ended May 31, 2020, the principles of consolidation note states that the consolidated financial statements include the accounts of the University and its wholly controlled subsidiary, Mercyhurst College Ireland (MCI). MCI is located in Dungarvan, County Waterford, Ireland and was incorporated in 2012 under the Companies Acts 1963 to 2009 of

Ireland as a company limited by guarantee to provide education opportunities for U.S., Irish and International students. The note also states that the consolidated financial statements also included the accounts of special purpose limited liability companies, which were formed under the Pennsylvania Limited Liability Company Act, for which Mercyhurst University is the sole member. The special purpose limited liability companies at the time were Mercyhurst Student Housing, LLC, formed to finance new student housing, HIDTA Grant, LLC, formed to assist with the execution of a major federal program of the University, and Erie Innovation District, LLC, which has since become a stand-alone entity and is no longer affiliated with the University. In addition, the note confirms that all significant intercompany accounts and transactions were eliminated in consolidation of the financial statements.

As the University's governing body, the Board of Trustees' meeting minutes are an official record of University business and how decisions are made. Official minutes are kept for the three annual meetings and all committee and subcommittee meetings and can be found in the office of the Executive Director of Events and Board Services. The Board of Trustees is responsible for the quality and integrity of the institution and for ensuring that the institution's mission is being accomplished. For example, this can be evidenced in the Board of Directors meeting minutes dated February 15, 2020, where Mercyhurst is applying for \$5 million in Pennsylvania Department of Education grant funds to enhance the academic and physical wellness of hundreds of Erie County's neediest children. These funds support the Carpe Diem Academy in the Erie School District and the Mercyhurst Early Learning Innovation Academy in the Northwestern School District. These two initiatives benefit both children and their families in rural and urban regions and give our students experiential learning opportunities. This initiative obviously supports the University's mission of educating and serving others. The Carpe Diem Academies also inspire the University's students to realize the human and spiritual values embedded in everyday realities and to exercise leadership in service toward a just world. Once again supporting the University's mission.

The effort to support Mercyhurst University's mission statement can be found throughout the University's current Strategic Plan, which is housed on the University's portal on the Strategic Planning page. For example, Mercyhurst's mission is to "educate women and men in a culture where faith and reason flourish together, where beauty and power of the liberal arts combine with an appreciation for the dignity of work and a commitment to serving others." Goal number one of the current Strategic Plan is to "Renew our Commitment to a Mercyhurst Education," by delivering an education that provides students with a distinct and transformative academic experience in preparation for personal and career success while empowering them with the knowledge and attitudes to lead fulfilling, civically engaged lives. There are several contributing strategies in the plan that support Goal number one of the Strategic Plan. For example, the reinforcement of the commitment to the liberal arts through continued refinement of the REACH Curriculum. This is evidenced by the Beyond the Gates (BTG) service-learning program requirement, which is part of the REACH program, and began in the fall of 2017. The REACH Curriculum has become an integral part of a Mercyhurst education. It provides students with a broad-based transformational education that is grounded in the Mercy mission. The courses in the curriculum are designed to challenge mindsets and assumptions, enable the development of critical thinking and problem solving skills, encourage curiosity and creative inquiry, cultivate an appreciation of arts and culture, ignite community awareness and engagement, and help students learn to become resilient in the face of challenges. During the first year of the BTG program 550 sophomores contributed 6,600 hours of service in 30 different

locations throughout the Erie Community. In the following year the University continued to integrate outREACH across the liberal arts curriculum through enhanced engagement in the Capstone Ethics course. For fiscal year ended May 31, 2020, the Introduction & Involvement in Mercyhurst (iMU) courses, BTG and Capstone Ethics courses are now fully integrated and participating in the four-year longitudinal study of mission impact on Mercyhurst students

### **Summary of Compliance**

The University properly identifies its legally constituted governance and all related parties in its annual audited Consolidated Financial Statements. And, when reviewing the past year of Board of Trustees minutes, there are numerous initiatives which exemplify the University's commitment for ensuring the quality and integrity of the institution and safeguarding that the institution's mission is accomplished. In addition, the Renewal Through the Mercy Mission Strategic Plan strongly supports the Mission of the University in countless ways.