NARRATIVE OF GODDARD COLLEGE'S EFFORTS TO STABILIZE ITS ENROLLMENT AND FINANCES

OVERVIEW

Higher education institutions statewide and nationwide have faced mounting pressures in recent decades, triggering college closures across the country. One of the main points of pressure causing these closures has been the 'enrollment cliff'—a demographic shift caused by a declining number of high school graduates and a declining percentage of high school students choosing to matriculate at colleges, leading to revenue declines. This enrollment decline has led to the closure of numerous small, rural, liberal arts colleges in Vermont especially, which depend on tuition revenue to operate. Even the Vermont state university system has needed to consolidate operations in response to lower enrollments and tuition revenue. Goddard College has been experiencing serious financial instability for four decades, but the COVID pandemic and the first wave of the approaching enrollment cliff were the last straws, pushing Goddard's financial status past the point of viability. Goddard's Board of Trustees worked diligently over the past years to fight the enrollment declines and to turn Goddard around, making strong efforts to improve marketing, attract students, reduce expenses, fundraise, and adapt to changes in the field. These efforts kept Goddard above water for as long as possible, until the enrollment decline—combined with increasing expenses, governance and leadership turnover, and consequences of the pandemic—pushed Goddard to the edge of the proverbial cliff. Now, the Board has implemented teach-out plans to protect Goddard students and is planning to sell the campus real estate to settle its debts, with any remaining funds going to support Goddard students in their transition to teach-out institutions.

HISTORY OF CHALLENGES & EFFORTS TO OVERCOME THEM

Goddard College experienced various stages of financial instability for the past forty years. The New England Association of Schools and Colleges (now the New England Commission of Higher Education, or "NECHE") has been consistently concerned about Goddard's financial viability since at least the early 1980s. As a result of financial issues and governance challenges, NECHE recommended or actually placed Goddard on probation as early as September of 1980 and an additional five to six times from then until 2020, when its last probation was removed. During that forty-year period, Goddard has been under the watchful eye of NECHE and has continuously had to submit detailed reports and show cause for why Goddard's accreditation shouldn't be terminated. Even after Goddard was released from probation in 2020, NECHE gave the College a public notation that the College was in danger of failing to meet NECHE's Institutional Resources standards. In 2022, NECHE instructed Goddard to prepare a report that included, among other things, plans for possible real estate sales, partnerships, mergers, and teach-out plans. Since then, Goddard tried vigorously to maintain its independence, but ultimately reached a point where it could no longer attain financial stability.

In the past five to ten years in particular, the College has been faced with new challenges that have compounded the existing financial and substantial turnover in its Board and Administration, further exacerbating the precarious nature of Goddard's finances. The meeting minutes of the Board of Trustees from 2018 through 2024 illustrate both the enormous challenges that Goddard College has recently faced, along with the many efforts that the Board has made in a continuous attempt to right the ship.

As a tuition-dependent College, the primary issue pressuring Goddard financially has been the decline in enrollment and thus a large decline in revenue. As mentioned above, unfortunately this enrollment decline is a national trend that is impacting higher education institutions across the country, resulting in numerous school closures. Though deeply disheartening, Goddard's closure is by no means an outlier. One of the drivers of the enrollment decline has been a demographic shift and a corresponding population decline of college-aged students. Additionally, recent trends show that traditional college-aged youths are choosing to delay college and enter the workforce earlier. This trend clearly impacted Goddard, as a 2021 survey revealed that the average age of Goddard's student population was 37 years of age.

In 2018, a financial auditor indicated doubts about Goddard's continued operation due to a lack of cash resources. The auditor stated that other higher education institutions were facing the same challenges due to revenue losses from declines in enrollment. The Board of Trustees, aware of potential enrollment declines, made efforts to increase enrollment in a variety of ways. First, the Board acknowledged that their retention rate was relatively high and made note of the need to keep their retention rates stable. In 2019, the Board predicted an enrollment decline, planned to build cash reserves in preparation for the decline, and approved a Strategic Plan in which they recognized the impacts of the sharp enrollment decline and formulated a strategy to achieve stability, and to seek grow in enrollment by solidifying Goddard's reputation for providing a unique and desirable education. As part of this plan, the Board made continuous efforts to attract new students by authorizing the improvement of

Goddard's website, getting involved with social media to market Goddard, analyzing the results of their website hits, and working to enhance the Admissions department to improve the quality and timeliness of communication with prospective new students. Additionally, the Board utilized student surveys to analyze current student preferences in order to boost enrollment and maintain retention rates. The Board handled tough decisions by balancing the College's financial needs with the need to attract new students. For example, the Board authorized small tuition increases in order to keep the College running during dire times, while keeping the increases small enough so that current students could still afford it and prospective new students likely would not be dissuaded by it.

Additionally, in its 2021 Growth Plan, Goddard planned to increase enrollment by expanding their digital advertising reach and by tapping into the College Adult Prospect Pipeline (an adult student prospecting database) to target older students in an effort to adapt to the shifting enrollment trends. Goddard also planned to expand their program to the West Coast, as well as to expand their online program offerings to take advantage of market trends post-pandemic. Importantly, the Board's goal was to steadily and incrementally increase enrollment and build up cash-reserves, rather than shooting for rapid increases in enrollment which would've caused more instability and potentially caused NECHE further concern.

Goddard's plan was met with some success. In 2021 they enrolled almost 400 students, the largest class of student since 2016, but despite Goddard's diligent efforts to continue to boost enrollment, the enrollment decline resumed and eventually steepened. In the Spring 2023 semester, Goddard enrolled 310 students, which was 92% of their goal of 379 students and was an improvement from Spring 2022 semester. The Board cited a 40-year high in inflation and a strong job market as factors pushing enrollment below budget. For the Fall 2023 semester, Goddard's projection was for 341 students, yet only 262 students enrolled. The situation became even more dire in the Spring 2024 semester, with an initial projection for 311 students, but by March of 2024 only 219 were enrolled. At that point, all of Goddard's programs had missed their enrollment targets.

Aside from their efforts to steadily increase enrollment, Goddard and the Board pursued a backup plan of increasing fundraising. Continuous fundraising efforts were made, such as the #TogetherforGoddard fundraising campaign which was designed to raise $4,000,000 to build cash reserves, to create a buffer to protect Goddard from the national enrollment decline, and to further promote the Goddard spirit of providing a unique model of progressive education. These fundraising efforts focused on tapping into the donors' commitment to the Goddard mission, and the Board was encouraged to increase their donor reach by hosting dinners, making phone calls, and promoting

Goddard via social media. Committees on the Board analyzed fundraising data, compared Goddard's data to national data, and focused their efforts to try and maximize Goddard's fundraising potential. For example, they worked on increasing alumni relations and outreach to tap into unexplored fundraising potential from that angle. Although these fundraising efforts were met with periodic successes, such as record-breaking fundraising in 2019 and the College receiving its largest gift ever from an anonymous donor, the College was only able to raise about $375,000 in 2020, which was not enough to alleviate the sharp enrollment decline. Indeed, in 2021 the Board acknowledged that it is too risky to depend on fundraising to balance the operating budget, as fundraising ebbs and flows.

The Board also faced internal challenges, struggling to find and retain Board members. In 2017, there were 16 voting members of the Board, and by 2024 that number had dropped to 6 voting members. Between 2017 and 2024, twenty-two at-large trustees left the Board. The remaining Board members made repeated efforts to replace those members, adding 11 at-large trustees between 2017 and 2024. However, the Board struggled to recruit and retain enough qualified members since most of the candidates that were interviewed either were not interested or did not have enough time to commit to the role. As for constituent members, the time-consuming nomination and election process coupled with a lack of candidate interest made it a challenge for the Board to fill constituent member positions. The Board was aware of these challenges and not only made efforts to fill Board positions throughout the years, but also created a Board Development Plan and sought outside consultants such as Core Education to analyze opportunities for improvement and make efforts to enhance the Board's effectiveness in serving Goddard.

Goddard College also faced issues with employee turnover. The Board identified this issue and analyzed the problem, finding that in 2022, 47-48% of Goddard employees had been with Goddard two years or less. The Board recognized that there were costs associated with such turnover and implemented policies to reduce these costs, such as policies for filling vacancies, retaining existing employees, providing training, and enhancing recordkeeping. To combat the employee turnover and governance challenges, the College forged a partnership with Core Education to receive both leadership support and fractionalized labor in key roles, which lowered expenses while keeping the College running. In later periods of financial instability, the Board recognized that keeping some positions vacant was necessary to keep costs down.

The College made various efforts over the years to further reduce costs, such as by freezing spending and hiring in 2022. The College cut expenses by closing its teaching programs in Seattle and Port Townsend, and by making the decision to halt all in-person residencies starting in April of 2024. This saved money associated with the high campus costs, as workers related to the campus were laid off and campus maintenance was reduced. Aside from reducing expenses, the College also worked to increase revenue in creative ways, such as by promoting the Goddard Café and by welcoming new tenants to fill the campus space, which generated around $200,000 per year in rental revenue as of March 2024.

However, the College continued to face new challenges, one of which was the 2023 union strike. The College had been in negotiations with the union regarding a new collective bargaining agreement since 2022. The College offered a 3% salary increase in an attempt to balance the needs of the staff with the need of the College to remain financially solvent. The offer was rejected, and the union went on strike in March of 2023, while students were still in residency on campus. The strike lasted for almost a month, and although the College and the union eventually came together to reach an agreement, the strike further exacerbated the existing employee retention issues, financial concerns, and overall instability of the College.

Another unprecedented challenge that affected Goddard was the COVID-19 pandemic. The Board helped Goddard adapt to an online modality and surveyed the students about their thoughts on online modalities going forward. Goddard efficiently utilized COVID funding to maximize the positive impact by improving the College's technology services to make online learning as smooth as possible for students, with the dual benefit of potentially increasing enrollment by offering online education programs. Upon the students' positive reception to the online teaching modality, Goddard chose to keep remote learning as an option, both to satisfy student desires and to cut some of the high costs associated with maintaining the campus. One of the drawbacks to this was that the school was not receiving room and board fees, which contributed to the College's existing financial instability. The College received federal funding through the Payroll Protection Program and the three stages of Higher Education Emergency Relief Funds (HEERF), which concealed a structural budget deficit. For fiscal 2020, without these funds, the College would have posted a deficit of over $350,000.

After years of trying to right the ship, in March 2024, with the realization that Goddard was not likely to make an affiliation with another institution, the Board of Trustees took a hard look at the College's ability to survive as an independent institution. Looking at a detailed financial projection of different enrollment levels for the Fall 2024 semester as well as a cash forecast for the calendar year, the Board determined that it would most likely enroll 175 or less students and at that level of tuition revenue and cash receipts, the Board could not be sure that the College would have sufficient revenue and reserves to complete the semester. Further, because the fall semester for every college is the strongest, just squeaking by meant that calendar 2025 would be worse. In light of this, the Board acknowledged that Goddard was at the point where closure was necessary and in the best interest of the College. Attempting to commence and complete the Fall 2024 term entailed a substantial risk of the College not delivering the full term to the students and to recruit more students who would not be able to complete a four-year undergraduate experience or multi-year graduate experiences. To protect the students, the Board approved and announced the closure and implemented teach-out plans with various like-minded higher education institutions with similar programs, whereby Goddard students will be able to complete their degrees at the same cost, or less, with online options, consistent with Goddard's current teaching modality, and in the same timeframe as the students had originally planned. These agreements include specific provisions that both Goddard and the teach-out schools will support Goddard students during the transition. Additionally, the agreements serve to protect students by waiving application fees, guaranteeing admission to students in good standing, waiving certain credit requirements, and creating individualized degree plans for Goddard students.

Finally, Goddard's contemporaneous decision to sell the campus real estate is in the best interest of the College's stakeholders, as the proceeds of the sale will be used to pay off its secured debt to the USDA and generate sufficient surplus proceeds to pay other closure expenses, including final compensation and severance to its employees as well as outstanding liabilities to its many Vermont vendors. Realistically, if the College had not already entered into a purchase and sale agreement and was not actively pursuing the closure of that sale, the College's lender would likely be considering foreclosure of the property.