

ACCREDITING COMMISSION FOR COMMUNITY AND JUNIOR COLLEGES
Western Association of Schools and Colleges

Council of Regional Accrediting Commissions
(Developed in cooperation with)

Policy on Institutions with Related Entities

(Adopted June 2007)

Background

At some applicant, candidate, or accredited institutions, the institution's governing board shares decision-making responsibility with one or more non-accredited "related" entities concerning some functions and operations such as those involving finances, planning, governance, budget and approval processes, recruitment, information systems, or employee compensation. This policy is intended to ensure that accreditors receive appropriate assurances and sufficient information and documentation to determine whether such institutions comply with Commission standards and policies.

A related entity may be a corporate parent, system administration or board, religious sponsor, military sponsor, funding sponsor (which, in some cases, may include an equity or investment fund), or other entity that can affect decisions related to accreditation (herein "Related Entities"). Related entities may include institutional or corporate layers or groups. Ordinarily, local, county, and state legislatures, other accreditors, local advisory boards, and government agencies are not related entities. The scope of this policy does not include "contractual relationships" in which the accredited entity contracts for services; these are governed by a separate Commission policy.

Policy

When an institution shares certain functions with a related entity, the institution is responsible to the Commission for presenting, explaining, and evaluating all significant matters and relationships involving related entities that may affect accreditation requirements and decisions at the time of application, candidacy, review for initial accreditation, comprehensive or interim evaluation, and all other times deemed relevant by the Commission. Although a related entity may affect an institution's ongoing compliance with accreditation standards, the Commission will review and hold only the applicant, candidate, or accredited institution responsible for compliance with accreditation standards. The Commission will protect the confidential nature of all information submitted by institutions or by related entities, except as otherwise required by law. Failure of an institution to provide the required certification, guarantee, or other information regarding the institution or related entity requested by the Commission will be addressed as provided in the Commission's policies.

Procedures

A. General

If an institution is part of a system with shared facilities or processes (e.g., library) or centralized information (e.g., strategic plan), it may use the same documents prepared by the system for other institutions or for other purposes.

If information submitted by an institution, on behalf of itself or a Related Entity, proves to be substantively different from the actual or projected institutional information, the

Commission may reconsider its action or take other action. The institution will inform the Commission, through the substantive change process, of any change in the related entity's financial status, ownership, governance, or other development that might significantly affect the institution.

The institution will provide certification from the related entity(ies) in the certification form attached, and other information requested by the Commission at the time of application, candidacy, review for initial accreditation, comprehensive or interim evaluation, and all other times deemed relevant by the Commission. The Commission may ask for a guarantee or different form of certification. The Commission may modify provisions of this policy under appropriate circumstances.

B. Applicant and Candidate Institutions and Applicants for Change of Ownership

The applicant or candidate will provide the following information in addition to information required by the Commission's Related Entities, Substantive Change, or other policies, unless waived by the Commission:

- 1. Financial Statements:** Audited financial statements with management letters for the applicant/candidate and related entities designated by the Commission.
- 2. Planning and Budgeting:** The financial plan for the current and succeeding years covered by the applicant/candidate's strategic plan, including enrollment projections for the period covered by its financial plan, and an analytical narrative that reconciles the financial plan to the operating plan.
- 3. Risk Analysis:** An analysis of financial information that assesses the institution's capacity and risk factors and includes, where appropriate, the flow of funding to or from the accredited affiliated institution from the related entity; bond ratings and analyses; debt; consideration of metrics such as revenue, market capitalization, earnings per share, earnings before interest, taxes, depreciation and amortization, measurement of liquidity, price/earnings ratio, debt/equity ratio, and U.S. Securities and Exchange Commission (SEC) and 10K filings for publicly traded proprietary institutions.
- 4.** The applicant/candidate will obtain from the related entity and include in its reports relevant information from all sources, such as legislative staff funding analyses, review by or of the related entity, SEC 10K, and other filings. Relevant information is only information that relates to the accredited institution's compliance with Commission requirements, standards, and policies.

C. Additional Substantive Change Provisions for Change of Ownership

Change of ownership will continue to be handled in accordance with the substantive change policy of the Commission. In addition to the requirements in the preceding section and of the Commission's Substantive Change Policy, procedures for evaluating a change of ownership application will include submission of the following:

- 1. Acquisition Plan:** The agreement, relevant filings with the U.S. Securities and Exchange Commission (if applicable), and a detailed plan for the acquisition by the new owner that demonstrates how the institution, under the new owner, will meet or continue to meet all eligibility requirements and accreditation standards. The principals of the acquiring entity must demonstrate the experience and expertise necessary to operate the

institution, and if they operate other institutions, that they are in full compliance with all applicable laws, rules, and regulations.

2. **New Initiatives:** Description of any new educational, growth, or other initiatives by the related entity or others anticipated to be planned within 12 months of the substantive change application that could materially affect the plans and/or operations of the institution (such as restructuring management or increasing enrollment). If such anticipated changes would constitute substantive changes (such as change of mission or addition of new locations), the change of ownership application should address these changes.
3. **Finances:** Description of how the financial viability of the related entity and the institution are affected by the change of ownership, giving both entities the continuing capacity to meet changing financial needs of the institution.

Certification Form for Related Entities

Certification: "The related entity has reviewed the materials submitted by the institution regarding the relationship between the related entity and institution, and certifies that the materials are complete and correct to the best of its knowledge."

_____ represents that it controls _____ either directly or through
(Related entity) (the institution)

one or more intermediate entities. It certifies that it recognizes the Commission's compliance requirements for _____ and will ensure that _____ responsibilities
(the institution) (the institution's)

that relate to areas controlled or influenced by _____ are fulfilled.
(related entity)

(Name)

(Signature of the CEO of the Related Entity) (Date)

(Name)

(Signature of the CEO of the Institution) (Date)