REPORT OF THE WASC SPECIAL VISIT TEAM

To **Vanguard University of Southern California**

March 26-28, 2014

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The team evaluated the institution under the WASC Senior College and University 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.

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 WASC website.

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SECTION I. OVERVIEW AND CONTEXT

A. Description of Institution and Visit

Vanguard University of Southern California (Vanguard), founded originally in Los Angeles in 1920 as Southern California Bible School, moved to Pasadena in 1927. In 1939, it was chartered by the State of California as a college eligible to grant degrees as Southern California Bible College. In 1950, the institution relocated to its present campus in Costa Mesa, California. In 1959, it became Southern California College (SCC), when majors in the liberal arts were added. SCC was accredited by the Western Association of Schools and Colleges (WASC) in 1964 and in 1967 received approval of its teaching credential program from the California State Board of Education. In 1983, as SCC it received approval from WASC to offer graduate programs. A degree completion program was added in 1994. In July 1999, SCC became Vanguard University of Southern California. In July 2011 Vanguard received WASC approval to offer its first online degree program (Bachelor's in Early Childhood Education) and in September 2011 Vanguard was approved to offer its first associate of arts degree.

Vanguard University's declared mission is to "pursue knowledge, cultivate character, deepen faith, and equip each student for a Spirit-empowered life of Christ-centered leadership and service." (CFR 1.1) Vanguard pursues its mission by "cultivating the Spirit-empowered life in Christian experience and service, promoting academic excellence that integrates faith and life, and providing professor-mentors in a dynamic community environment." As of fall 2013, Vanguard enrolled 2,043 undergraduate, 280 graduate, and 92 non-degree students. Nearly 70% of all students were full-time. The

university offers one associate degree, twenty-four bachelor's degrees, and five master's degrees. Currently there are no off-campus locations.

Since the 2008 Educational Effectiveness Review, Vanguard's accreditation history with WASC has been marked by significant challenges which the university's Special Visit Report accurately described as " multiple rounds of dramatic change" (p. 25). A multitude of factors has negatively impacted the university during that time, resulting in two interim report requirements (November 2011 and 2012), three special visits (March 2009, 2010 and 2014), Probation (June 2009), and the Notice of Concern (June 2010). To date the university has made significant improvements along with notable progress toward its objectives and has evolved into a more fiscally-responsible and data-driven institution. Although Vanguard has accomplished a great deal since 2008, much work still remains to be done toward accomplishing long-term financial sustainability.

In June 2009, as a result of a deteriorated financial situation, Vanguard's board of trustees declared a state of financial exigency, indicating an extreme level of concern and the need to realign fiscal strategies and priorities. (CFR 3.4, 3.9) As a result, a set of newly created Key Performance Indicators (KPI) that could be monitored by the board and administration was adopted in October 2009. The KPI matrix included the annual status of each measure, a level to be achieved for exiting exigency, and further target levels for recovery and organizational financial health.

A strategic planning process was initiated in 2012-13. In spring 2013, Vanguard expanded KPI reporting process to include all components of the Composite Financial Index (CFI), as well as the Department of Education (ED) ratio (commonly known as the

Financial Responsibility Composite Score). The Unrestricted Net Assets to Debt ratio was monitored by the Finance Committee of the board of trustees, and an academic program vitality dataset was being produced annually and monitored. In recognition of these actions and the university's demonstrated progress toward fiscal health, the board of trustees approved the Declaration of Exit from Financial Exigency Status in June 2013. The university and its board, however, remain cognizant that continued fiscal discipline and responsibility, effective monitoring mechanisms at all levels, and timely accomplishment of specific milestones are essential for achieving long-term sustainability. (CFR 1.7, 3.1, 3.4, 3.7, 3.9, 4.3, 4.6)

Notable leadership and management changes occurred in the last twelve months, resulting in continued improved of organizational culture and expressed commitment to shared governance at all levels. (CFR 3.6) Effective August 2013, the board of trustees appointed a new president. A recent campus-wide communication announced that a person who previously served as vice president for enrollment management will return to that position effective April 21, 2014. This appointment will likely provide needed continuity and institutional knowledge in the area of enrollment planning and management and student recruitment. The university is also currently in the process of recruiting for a permanent provost/vice president for academic affairs with an expected conclusion of the search process by the end of spring 2014. Recruitments for a number of other vacant management and staff positions are also currently underway, and their successful completion is essential for Vanguard's ability to accomplish its objective toward transition to long-term sustainability. (CFR 3.1, 3.8)

In addition to the foregoing leadership changes, Vanguard established the School for Graduate and Professional Studies, which combined graduate programs in Education, Nursing, Psychology, and Religion with undergraduate degree completion programs and the associate of arts program under the direction of a new dean. (CFR 3.1, 3.7) Student recruiters for graduate and professional studies were transitioned to the Graduate and Professional Studies Admissions unit within the division of Enrollment Management. The Accounting Operations and Fiscal Management offices were reorganized to report to the newly created controller position within the Business and Finance division. (CFR 1.7, 3.4, 3.7) These structural and organizational changes appear to be consistent with the expressed institutional goals to capitalize on existing strengths while realizing the current physical capacity limitations and recognizing the changing higher education ecology. These goals focus on growing graduate and professional development degree and certificate programs in order to supplement traditional undergraduate programs, which have limited potential for growth because of the current physical capacity, as well as developing alternative delivery options for current and new programs. (CFR 4.3, 4.7)

The purpose of this Special Visit was to evaluate the progress made by Vanguard University with respect to its current WASC accreditation status of being placed on the Notice of Concern in June 2010 and recommendations of the WASC Interim Report Committee panel as stated in the letter dated March 25, 2013. The Interim Report Committee letter requested a Special Visit in spring 2014 focusing on financial sustainability and specifically addressing the following three issues:

A. Assessment of progress on remaining "Exigency Key Performance Indicators: Primary and Other" developed by the institution.

B. Examination of financial information including a complete set of financial statements: a) 2013 audit report; b) three most recent management letters and management responses on A133; c) year-end financial reports so that the visiting team can assess Vanguard's cash obligations and current reserves; and d) interim financial reports including Statements of Financial Position and Activities.

C. Review of enrollment data showing target and actual enrollments for the three most recent years and projected enrollments from 2015 through 2017, because of the relationship between enrollment, tuition, and financial sustainability.

B. Quality of the Special Visit Report and Supporting Evidence

Vanguard's underlying theme for its institutional report was the transition from "crisis" and "recovery" mode to a long-term sustainability strategy for institutional health. The report was well organized, clear, and substantive in its contents. A number of supplemental documents and materials accompanied the institutional report to substantiate its statements and conclusions and offer evidence of specific actions and improvements. (CFR 4.1) The report thoroughly addressed the three Commission-identified issues and demonstrated significant progress since the last Interim Report submitted in November 2012. The entire institutional report, its statement on report preparation, and accompanying documents all demonstrated appropriate campus involvement, thorough analysis and reflection of the issues, and a reasonable approach to addressing a multi-faceted set of remaining challenges while exercising cautious optimism and realizing the significant nature of further progress required to be made toward long-term institutional sustainability. (CFR 3.9, 4.1, 4.3, 4.6, 4.7) The report

integrated and synthesized evidence and exhibits, as well as offering a viable action plan. (CFR 4.1, 4.3) At the same time, Vanguard appears to recognize its need for further work to sustain the changes and achieve long-term improvement and sustainability. (CFR 3.4)

C. Description of the Team Review Process

Team members conducted an extensive review and analysis of the Special Visit Report and all of the accompanying documents and attachments submitted by Vanguard University in January 2014. Upon completion of a review and analysis and in preparation for the visit, a telephone conference call with all team members and WASC Liaison was conducted by the chair in February 2014. During this conference call the team identified some additional documents to be requested from the institution prior to the visit.

The Special Visit of Vanguard University took place on March 26-28, 2014. Consistent with the focused nature of the visit, team members met with the president, members of the WASC Steering Committee, chair of the board of trustees, chair of the Finance Committee of the board, members of the Faculty Senate Executive Committee, members of the Faculty Senate Finance Committee, and a number of other administrators and staff who provided additional information and insight. The team found interactions with these members of the campus community effective and highly productive. All members of the campus community with whom the WASC team interacted were professional and knowledgeable about the current issues and challenges facing the university. (CFR 3.6, 3.9, 4.6) These campus community members also projected a sense of deep commitment, institutional pride, and resolve in dealing with past and current challenges facing Vanguard. The university extended its hospitality and provided the team with convenient and comfortable meeting rooms, as well as necessary technical

support. All requests for data and information were addressed in a professional and timely manner. The institutional Accreditation Liaison Officer (ALO) provided extensive and courteous support to the WASC team prior to and during the visit.

SECTION II. EVALUATION OF ISSUES UNDER THE STANDARDS

A. Issue: Assessment of Progress on Exigency Key Performance Indicators

In 2009, Vanguard University's board adopted seven Key Performance Indicators (KPI) to be monitored in its approach to the institution's recovery and exiting fiscal exigency. (CFR 3.4) In the spring of 2013, the board of trustees developed a new layout for KPI monitoring. The new layout expanded on the seven KPIs to include all aspects of the Composite Financial Index (CFI) plus the Department of Education (ED) Ratio. The institution also adopted other new KPIs that focused on academic achievement, student success, and diversity of the community. These latter KPIs are to be monitored annually through an academic vitality data set. (CFR 2.7, 4.1) However at this point, the board does not have timelines or target goals for the expanded KPIs. Interviews conducted by the WASC team during the visit indicate that the board is continuing to monitor the original seven financial KPIs, with the goal of reaching the targets previously established for becoming a healthy institution, but has not yet established timelines for accomplishing these goals.

The WASC Interim Report Committee letter dated March 25, 2013, commended the university on the progress it had made with respect to most of the KPIs. The letter stated that Vanguard needs to demonstrate financial sustainability, meet its own conditions for exiting financial exigency, make additional progress on all KPIs, and show

that it can create accurate financial reports and statements. As reported in the university's response to issues identified in the WASC letter, the university has met six of the seven KPIs established by the board in 2009, with the exception of the Consolidated Financial Index (CFI). (CFR 3.4) The target CFI for exiting financial exigency was 4, for recovery 5, and for fiscal health 7. The index of 4 is higher than the minimum 3 required by the Council of Christian Colleges and Universities (CCCU), Vanguard's main benchmarking entity. The 2013 audited financial figures indicate that the university meets the CCCU minimum figure but is not progressing on this indicator. Vanguard currently has a CFI of 3.2, which is lower than both the 2011 and 2012 figures of 3.3.

The 2013 Financial Exigency Report stated that "technically three items on the matrix remain to be achieved" (p. 2). As part of that report, the estimated year-end 2013 figures for CFI were projected to be 3.46, which would have indicated a positive trend in this index. This estimate turned out to be over optimistic, as the 2013 audited figure was 3.2. The report further showed that the debt level was reduced by 30%, from $33.2 million in 2009 to $23.1 million in 2013. Major factors contributing to this reduction (totaling approximately $1.7 million) were the receipt of four large gifts to the university, smaller gifts by sixty-two individuals, and the application of $700,000 in discretionary funds. Current expenditures and income appear to be more in line with projections, demonstrating a positive direction toward debt reduction. Another positive indicator is that in the past two years the university has not needed to borrow funds to meet its cash obligations.

In June 2013 the board voted to declare an exit from financial exigency with the provision that there be "a continuation of accelerating the payment of debt until such time

the debt to unrestricted net asset ratio reaches two times or less…" (Board Resolution, June 7, 2013). This action was taken even though the university had not reached its target CFI Index of 4 to exit financial exigency, and as current audited figures show there is no positive trend toward achieving a CFI of 4.

The 2012 and 2013 audit reports indicate that each of the past two years was marked by significant deficiencies in internal controls. (CFR 3.4) Deficiencies were primarily related to the Student Financial Aid unit within the Enrollment Management division. In 2013 the university hired an individual dedicated to the area of student loans and financial assistance who is responsible for monitoring compliance with the federal guidelines. (CFR 3.1, 3.8) In addition, several corrections were required in reported figures and ratios in the recent past. According to the university, new procedures and controls are being instituted and are reported to have reduced or eliminated the need for updating and restatements in the future.

The university tends to be over optimistic in its projections and estimates. This includes estimates of financial ratios and projections of enrollment. The financial health of Vanguard is dependent on enrollment. Current projections through 2017 show a steady but lower enrollment from fall 2013 and past estimates. To offset this lower figure, Vanguard is proposing new enrollment and marketing strategies and planning the offering of new programs. The university has an approval process for new academic programs that includes a projected resources component. However, the visiting team questioned the reliability of these estimates and wondered if all the appropriate individuals are involved in developing these cost estimates. The proposals, including projected budgets for two new programs (Clinical Nurse Specialist Certification and

Master's in Organizational Psychology), were reviewed by the vice president for business and finance, but the university's budget analyst did not participate in developing the projected budgets.

The university has made substantial and substantive progress from the nadir of the financial crisis. It has taken many actions to bring about this change: creation of desk manuals, adherence to the existing policies, and development of new policies where none existed. The finance and accounting areas are also engaged in meeting and communicating with other departments and individuals across campus. This has resulted in better understanding of financial matters among diverse campus groups. Continued monitoring of the KPIs on the financial health of the institution is necessary for Vanguard to achieve long-term financial sustainability.

B. Issue: Examination of Financial Information

Vanguard has demonstrated a concerted effort for several years to provide complete financial statement information to the Finance Committee of the board of trustees on a monthly basis. This includes the Consolidated Statement of Financial Position, the Consolidated Statement of Activities, the Consolidated Statement of Cash Flows, and a Detailed Schedule of Cash and Equivalents to highlight the net unrestricted cash available. Vanguard received an unqualified financial statement audit for Fiscal Year 2013 with no audit adjustments. The A-133 audit had two findings, down from four findings the prior year. The auditors found that three of the prior year findings were fully corrected and one finding was partially corrected. (CFR 3.4) The board and the staff have made significant improvements over the last few years to achieve the current level of accuracy, completeness, timeliness, and monitoring of the financial information provided.

It takes significant time and dedicated leadership to implement these improvements. Vanguard has worked diligently to attain the current status through changes in organizational structures and procedures, changes in accounting and financial aid personnel, implementation of new information systems, and personnel training. (CFR 1.6, 1.7, 3.6, 3.9)

The financial performance at Vanguard has continued to improve over the last few years. The audited financial statements as of June 30, 2013, reflect a change in net assets from operations of $3.9 million, increasing from $2.7 million the prior year. Unrestricted net assets increased by $2.8 million to an all-time high of $5.2 million. Total net assets increased by $4.3 million, from $9.4 million to $13.7 million. Vanguard has continued to strategically prepay its long-term debt in an effort to reduce the liabilities. In the last four years Vanguard's debt obligations have been reduced 30% from $33.2 million to $23.2 million. The results demonstrate the university's ability to manage operations within budget constraints even after deep cuts were made in prior years.

As of June 30, 2013, Vanguard was in compliance with all four of the debt covenants associated with its $11.6 million note payable outstanding to the Assemblies of God Financial Services after many years of being out of compliance with one or more debt covenants. All of the university's long-term notes are payable to a combination of entities affiliated with the Assemblies of God and have variable interest rates ranging from 5.25% to 7.5%. The university has researched options to refinance the debt to obtain lower interest rates, but the cost of issuance has not resulted in any overall cost savings given the plans to extinguish all existing debt early.

The U.S. Department of Education notified Vanguard in July 2013 that it had met the minimum financial responsibility ratio requirement of 1.5 out of 3.0, by obtaining a composite score of 1.8 as of June 30, 2012. Therefore, the university is no longer required to collateralize a letter of credit in order to continue receiving federally-funded student aid but will remain on provisionally certified status until the expiration of its current Program Participation Agreement. The estimated composite score for the Fiscal Year-End 2013 is 2.0.

The continued gradual improvement over the last four years has been primarily attributed to the growth in student enrollment over the same period of time. Although Vanguard has made progress to reduce tuition dependency as a percentage of its total revenues (79% in 2013 from 88% in 2009), the university remains highly dependent on total student generated revenues (tuition, fees, room and board), which represent 90% of total revenues. The additional revenues earned over the last few years from the enrollment growth have enabled Vanguard to prepay the debt, provide faculty and staff with compensation increases, and make some capital improvements. The increases in compensation were necessary to recruit and retain faculty and staff (CFR 3.2) but did generate an ongoing commitment should the enrollment numbers decrease in the future. The average net price per undergraduate student has slightly decreased over the last few years, and the average amount of institutional aid per student has increased. Similar trends, however, are being experienced by other institutions due to the economic climate and competitive market for student recruitment. Vanguard will need to closely monitor the net tuition per student in projecting its ability to grow revenue based upon the expected student enrollment.

Vanguard's growth in enrollment in fall 2013 was primarily from an increase in the retention rate rather than new students. The improvement made in retention rates is commendable and required a high degree of commitment by faculty and staff to achieve. However, these students will eventually graduate and new students will be needed to sustain the total enrollment volume over time. Vanguard has facility capacity limitations that impact its ability to expand enrollment in traditional undergraduate programs. (CFR 3.4) The external aggressive competition for recruiting students, at a time when Vanguard has several vacancies in the admissions department, appears to have negatively impacted current and projected enrollment. Vanguard has plans to grow post-baccalaureate programs but the average net revenue per graduate student is much less than the revenue per undergraduate student. There would need to be significant growth in such programs in a short amount of time to offset any reduction or flattening of the undergraduate enrollment in order to generate sufficient net revenues for Vanguard to achieve financial health. Vanguard's board and leadership are committed to operating within a balanced budget. Budget cuts have been made over the last several years and the ability to provide adequate resources to align with educational purposes and objectives may suffer without continued growth in revenues. (CFR 3.4, 3.5)

Vanguard is still in the recovery phase and has not yet achieved financial strength or stability. (CFR 3.4) The total investments as of June 30, 2013 were $4.1 million, placing more pressure to achieve a healthy operational performance. The university recently developed macro budgets for the next three fiscal years and has plans to continue to improve the budget process. Vanguard's "FY 2013-14 Proposed Operating Budget" dated June 5, 2013 and its "Budget and Enrollment Report" dated February 5, 2014

include the proposed budgets for the next three years reflecting some surplus of revenues over expenses each year. Vanguard indicated that the latest budget modeling was prepared on a conservative basis utilizing a 50% reduction in the projected incoming freshmen students and no growth of future student enrollment. However, a budgeted retention rate of 91.5% was utilized in both budget models when the actual retention in fall 2013 was 84%. The budget model showed total revenues and expenses declining in 2014-15 and staying fairly flat or with a slight increase for the following two years. More in-depth analysis of the multi-year historical trends in enrollment, factors impacting future enrollment, and collaboration across departments to share this data would provide a higher degree of consistency in data utilized in the budget models. (CFR 4.2) The university acknowledged that the new multi-year budget model has not been fully developed to reflect changes in the budget assumptions in future years and that additional work needs to be performed.

Faculty compensation is still below market levels. The budget model shows education and general expenses with no growth for Fiscal Year 2014-15 and 2% increase for the following two years. The ability to retain qualified faculty without sufficient compensation increases over time is not sustainable. (CFR 3.2) The board approved an increase of 1% in the 403(b) plan matching contribution effective January 1, 2014, and the budget model indicates the impact was included in the model. Other expenses were projected to increase by 2% per year. Although the macro budget projection model reflected the university's commitment to a balanced budget, it did not provide adequate data to demonstrate sufficient evidence that the projections were in line with the strategic goals of the institution. (CFR 3.4) There was no evidence that other major factors that can

impact the annual budgets were adequately evaluated. Such factors may include additional salary and benefits to achieve market rate comparisons, fluctuations in adjunct faculty utilization, costs associated with the $7 million capital campaign for the Scott building, start-up costs for the planned new academic programs, and contingency planning if enrollment and net revenue targets are not achieved. The ability to properly fund the increasing cost of maintaining operations at a sufficient level to provide adequate resources to achieve the objective and goals over the next three years was not demonstrated to a satisfactory degree. The long-term sustainability of the university's financial health remains a serious concern. (CFR 1.7, 3.1, 3.2, 3.3)

The university's cash liquidity is at a very low level as of December 31, 2013, with only $1.7 million in net unrestricted cash. The total cash and cash equivalents was $6.1 million, of which $4.4 million is temporarily restricted. Therefore, Vanguard had only about two weeks of net unrestricted cash available for operations. December is typically one of the lowest months for cash balances in the academic cycle, since the student billing for the spring 2014 term may not have been billed. However, this raises serious concerns about the university's ability to have sufficient cash available to meet its ongoing obligations (e.g., payroll) in a timely manner. The university's operating budget has grown over the last few years, yet the available unrestricted cash balance has declined, reducing the available days of cash on hand. The Finance Committee has been monitoring the cash flow of the university, which has added to Vanguard's ability to manage the day-to-day cash needs. Although the university has not needed to borrow funds to cover operating expenses in many years, more strategic future cash flow

analysis, as it relates to budget and strategic planning, would strengthen Vanguard's ability to continue on its path to improve financial health. (CFR 3.5)

The university's viability ratio was 0.31 as of June 2013, which is well below a minimum recommended standard of 1.0. This is a major contributing factor for the CFI and the Department of Education Ratio being below healthy levels. The viability ratio measures the availability of the expendable net assets to cover the total long-term outstanding obligations. Vanguard needs to continue monitoring this ratio closely, as well as the other ratios that comprise the CFI and ED Ratio on a regular basis. (CFR 3.5)

The $7 million capital campaign for the Scott building renovation has generated pledges of $3.75 million to-date. The university has stated that it needs $5.5 million in reliable pledges to begin construction on the project. The board should ensure that the anticipated cash flow timeline of the pledge payments and the construction costs do not negatively impact the financial ratios before approving the contract for renovations. (CFR 3.5)

A great deal of progress in the financial reporting, planning, fiscal controls, and debt reduction has been achieved, and the university board and staff should be commended for their continued hard work in this area. The long road through recovery to achieve financial strength is difficult and slow and includes factors that can be outside of the university's control. Vanguard should continue to further integrate strategic planning, enrollment management, departmental assessments and planning, capital project planning, cash flow management, advancement goals, and KPIs to align with a broader overall financial performance monitoring and budget planning to advance the financial health of the university. (CFR 3.4, 3.5, 4.6, 4.7)

The Finance Committee of the board has been actively overseeing the progress in the financial performance of the university for the past four years and should be commended for their contribution to the progress to-date. At this phase in the financial recovery process, it would be appropriate for the board to entrust the administration with increased responsibility for the day-to-day operations of the organization while the board continues to exercise oversight and monitoring in keeping with its fiduciary responsibilities. (CFR 3.9)

C. Issue: Review of Enrollment Data

In March 2013, a panel of the WASC Interim Report Committee directed that the Special Visit scheduled for spring 2014 should also include a "review of enrollment data showing target and actual enrollments for the three most recent years and projected enrollments from 2015 through 2017, because of the relationship between enrollment, tuition, and financial sustainability." The university's Special Visit Report indicated that headcount enrollment had grown from 1,923 students in fall 2009 to 2,415 students (an increase of 25.6%) in fall 2013. Analysis by an outside consulting firm specializing in private university enrollment management has led the university to conclude that budgetary constraints and enrollment reductions on nearby campuses of the University of California and the California State University systems were major factors that contributed to Vanguard's enrollment growth in 2011 and 2012. With the significant restoration of funding to public education in California as a result of the passage of Proposition 30 in 2012, new student enrollment in fall 2013 did not reach the level of the two previous years, but overall undergraduate enrollment did increase due to improved student

retention rates. This enrollment growth has contributed significantly to the university's improved financial position. (CFR 3.4)

The visiting team noted that while Vanguard has taken good advantage of the opportunity presented by the reduced capacity at public institutions, the university should not count on that circumstance recurring in future years. Continued enrollment growth will depend on aggressive efforts in student recruitment and retention as well as the development of new degree and certificate programs. As noted in the institution's report, these new programs will need to be developed in the School for Graduate and Professional Studies because existing campus facilities for traditional undergraduates are already being utilized to full capacity. The university has developed an elaborate approval process for new academic programs that is designed to engage faculty, staff in several different departments, institutional research personnel, and external evaluators in assessing the academic, financial, and marketing implications of any new program. (CFR 3.10, 4.1, 4.2) The first proposal to successfully complete the process was for a Master of Science degree in Organizational Psychology that will be considered by the WASC Substantive Change Committee in April 2014. A post-masters Clinical Nurse Specialist Certificate program and a Master's Program in Social Entrepreneurship are in earlier stages of the approval process. These efforts to develop new programs demonstrate the university's commitment to what the Special Visit Report describes as "measured growth," which might also come about through additional enrollment in existing programs in the School for Graduate and Professional Studies. The projected enrollment numbers in the Special Visit Report envision an increase in professional studies students from 504 in fall 2013 to 630 in fall 2017, and an increase in graduate students from 280

to 390 over the same period. The combined increase of 236 students would represent nearly 10% growth in Vanguard's total enrollment, which would substantially help the university's financial situation. The WASC team encourages Vanguard to pursue these initiatives vigorously in the coming months, with the caution noted above that graduate enrollment does not produce as much net revenue as the same number of undergraduate students.

Future budget projections in the Special Visit Report, based on what the university believed to be conservative and realistic estimates of enrollment trends, originally envisioned further modest growth to 2,520 students in fall 2017 (an expected increase of 4.3% over fall 2013). The university has undertaken five strategic initiatives to achieve the projected enrollment numbers by addressing identified environmental threats and leveraging its institutional strengths: 1) building a campus-wide enrollment management partnership involving staff, faculty, students, administration, and board members, 2) increasing merit-based scholarship awards, 3) focusing on retention strategies, especially for male, Hispanic, and commuter students, 4) emphasizing the practical value of a Vanguard education while maintaining a commitment to the liberal arts, and 5) increasing efforts to serve ethnically and socio-economically diverse student populations. The team's interviews with administrators and faculty indicated that these initiatives are being translated into action, with some encouraging initial results. Although Vanguard expresses the hope that endowment funds will increase in future years, the institution anticipates that it will continue to be heavily dependent on tuition revenue in order to achieve financial stability. The school's ability to meet its enrollment targets will continue to be a critical measure of its future viability. (CFR 3.4)

For that reason, it was a matter for concern for Vanguard that a Budget & Enrollment Report prepared by the vice president for budget and finance and the interim vice president for enrollment management on February 5, 2014 indicated that inquiries, applications, and enrollment deposits for fall 2014 were significantly lower than those in recent years. The team's interviews with executive staff indicated that initial projections for fall 2014 new student enrollment had suggested a decline that might be as much as 50% of fall 2013 new student enrollment. The February report speculated that the downturn might be attributable to staff turnover in the division of Enrollment Management, including the resignation of the previous vice president for enrollment management and all but two recruiters, the pregnancy leave of the associate director of undergraduate admissions and recruitment, an extended three-year vacancy in the position of director of undergraduate admissions, the organizational reassignment of the Graduate and Professional Studies recruiters to the Admissions Office, and the resignation of the director of admissions for Graduate and Professional Studies. The university appears to have been slow to respond to the challenge presented by so many vacancies in key enrollment positions. (CFR 3.1, 3.8) However, the permanent vice president for enrollment management should be on board shortly, replacement recruiters are now being trained, and a consultant has been hired to supervise admissions counselors and coordinate application processes and spring recruitment travel. Faculty and staff have increased the volume of their calls to prospective and admitted students, and the Admissions Office has stepped up its recruitment efforts.

In light of the reduced number of inquiries, applications, and deposits for fall 2014, senior administrators at Vanguard told the visiting team that they are prepared to

adjust traditional undergraduate enrollment projections downward for budget planning purposes. In order to accommodate the potential budget shortfall for Fiscal Year 2014-15, the university has contingency plans to cancel or postpone capital projects, reduce the level of prepayments on loans, and carefully monitor expenditures at the departmental level. (CFR 3.4) However, it is clear that these are short-term solutions that will work only if the projected enrollment decline turns out to be an anomalous occurrence for a single year. In the long run, Vanguard's sustainability will depend on consistent attainment of levels of new student enrollment comparable to those in 2011 and 2012.

SECTION III. FINDINGS AND RECOMMENDATIONS

Based upon the visiting team's extensive review and analysis of the Special Visit Report and all documents and materials provided by Vanguard University, as well as interviews conducted during the Special Visit and further deliberations, the following commendations and recommendations are presented.

Commendations:

1. Vanguard University is to be commended for the current president's strong leadership, focused vision for its future, and commitment to shared governance at all levels. (CFR 3.6, 4.5, 4.6)
2. Vanguard University is to be commended for its progress in transitioning from crisis and financial exigency towards recovery with a goal for long-term financial sustainability and improvements in its financial position, such as increase in unrestricted net assets, increase in the Department of Education (ED) Ratio, and reduction of long-term debt. (CFR 3.4)

3. Vanguard University is to be commended for developing, strengthening, and implementing effective internal policies and procedures in such areas as budget planning and projections, accounting functions and systems, accounts receivable and collection methods, departmental level controls, position control monitoring, and financial aid. (CFR 1.7)
4. Vanguard University is to be commended for its improvements in interdepartmental collaboration and communication that have helped to achieve its current financial condition. (CFR 3.7, 4.1)
5. Vanguard University is to be commended for its openness and transparency in communication with the WASC team, as well as responsiveness to requests for additional information. (CFR 1.8)
6. Vanguard University is to be commended for the hospitable and attractive physical environment of the campus facilities and grounds which appear be well maintained and effectively utilized. (CFR 3.5)

Recommendations:

1. It is essential that the university demonstrates its ability to successfully recruit, hire, and retain qualified management, staff, and faculty in order to accomplish its objective toward transition to long-term sustainability. (CFR 3.1, 3.8)
2. Certain improvements in the financial position have been accomplished. However, much work remains to be done in the area of improving financial health as measured by the Board's originally established seven Key Performance Indicators (KPIs) with identification of specific progress milestones and implementation timelines. (CFR 3.4)

3. It is recommended that focused and comprehensive enrollment planning and management and student recruitment be aligned with strategic and financial planning. This is especially critical as Vanguard remains heavily dependent on student-driven revenues. (CFR 3.4, 4.6, 4.7)