

PRESIDENT'S LETTER

by Interim President Virginia Hill Worden '69

Any report to the Randolph-Macon Woman's College family must be centered on the historic changes our College is undertaking. The story is essentially a financial one, but our future is one that embraces an ambitious and worthy mission.

Our College has faced a weakening market for women's colleges, and a dedicated board reached an historic decision to admit men and position the College to excel in the liberal arts with particular emphasis on global engagement and an honors standard of achievement.

This has been a difficult year for all concerned, and while we are optimistic about our progress and excited about the opportunities ahead, the tough decisions are far from over.

CHALLENGES

SACS Warning

In the original charge to the Strategic Planning Steering Committee, the College's trustees were clear that financial stability should be the major tenet of the document. Based on this strategic planning blueprint, trustees, College administrators, and the Business Implementation Team developed a research-based plan designed to achieve financial stability by 2011-2012.

All accredited colleges and universities in our region are reviewed on a regular basis by the Southern Association of Colleges and Schools (SACS), and our plan to achieve financial stability by 2011-2012 coincided with the same year we were scheduled to have our next SACS review. In advance of that, our new graduate programs were scheduled for review in October 2006.

However, the College's continued efforts to be open and honest about the trustees' financial concerns have led to a multitude of fiscal questions by our alumnae. Some have simply been for clarification. Others have involved accusations of fiscal malfeasance. As a result, financial matters of the College have been discussed in forums, small groups, e-mails, on list serves, and in the media.

Following such adverse publicity, SACS made the decision to add a financial review to our October graduate program review. As a result of this financial review, SACS warned the College that it is not in compliance with the Association's Core Requirement 2.11. It states that an institution must have "a sound financial base, demonstrated financial stability, and adequate physical resources to support the mission of the institution and scope of its programs and services."

Let me clearly state, SACS officials found absolutely no evidence of financial malfeasance, and they readily accredited the master's program they had come to review. They did find that our endowment spending rate was not sustainable and also pointed to the College's operating deficit, deferred maintenance, and high-tuition discount rate as areas of concern. It is very important to note that in highlighting these concerns, SACS' findings mirrored those of the Board of Trustees.

Unfortunately, once a college or university is placed on warning, SACS' own procedures only allow it to keep us on warning for a maximum of two years. At the end of two years, if the College is still found to be in violation of 2.11, SACS has two choices: to put us on probation or, more drastically, remove

our accreditation. We must respond to this warning by September 2007 for their December review meeting.

College representatives have met and are continuing to meet with SACS personnel, as well as work with a consultant recommended by the Association. It is clear that a balanced budget is imperative. Whereas the College had been planning to reach financial equilibrium within six years, the unfortunate result of the SACS warning is that it drastically shortens the time we have to correct the College's financial position.

Although application numbers have increased dramatically, we no longer have the luxury of time to reach financial equilibrium primarily by building our enrollment.

As we have reported in prior publications, our annual expenditures are much lower than any of our peers, and we will continue to streamline and cut expenses. These efforts, however, are not enough.

Asset Allocation

Many of you are concerned about the possibility of our realizing financial capital from our program at Reading, our art collection, or our Riding Center.

In a review of the Riding Center, the trustees learned that the property's assessment offset by the program's recruitment attraction did not generate sufficient revenue to warrant its sale.

In the case of Reading, the Curriculum Implementation Group is working to develop programs for cross-cultural experiences. This group will also develop recommendations for how Reading will play a role in our international programs. The need for or use of the Reading assets will be a part of these recommendations.

As to the College's art, we have convened meetings with our Business Implementation Group, art

faculty, and members of the Maier Museum staff to discuss creative and responsible ideas about how best to preserve our collection while addressing the College's financial stresses. Additionally, we are fortunate to tap into the collective talent of alumnae in the art world who have come together to share their creativity and ideas with us.

The decisions before us are difficult as we struggle to balance our desire to maintain valuable treasures with our need to best utilize the financial resources of the College for the betterment of the education it provides.

OPPORTUNITIES

There is a dynamism on campus that cannot be denied, as those who love the College work to retain its traditions and unique qualities while developing fresh, robust academic and student-life programs that will make it attractive to future generations of students. Building on our strengths, we will continue to emphasize intellectual rigor, a hallmark of the College.

Global Honors

Many of our faculty members recognize that the Global Honors concept is deeply rooted in the College's history, and they are eager to build upon those strengths in innovative ways. It is expected that a global perspective will be broadened to reach all areas of campus life. A revised and required first-year seminar will enable every student to understand the foundational concepts and scholarly methods of the arts, humanities, and sciences. All students will be encouraged to work at the honors level—to pursue a question of importance to them with the goal of generating new insights—and to communicate knowledge clearly and persuasively.

Implementation

Faculty, staff, students, alumnae, and trustees are working together in six implementation groups: Alumnae Connections; Business Plan; Campus Life/Coeducational Environment; Communications/

Marketing/Branding; Curriculum/Pedagogy; and Student Recruitment/Admissions Strategies. Each group is charged with developing specific approaches for implementing its aspect of the plan and with projecting costs and identifying necessary resources as well as establishing explicit and measurable goals. The many studies, reports, and suggestions that College constituents have offered during the planning process are proving to be valuable resources for these working groups. The Curriculum Implementation Group has discussed many exciting ideas for an Active Global Honors curriculum, and is shaping a program which would include a “signature” first-year experience, an enlarged Experiential Learning Center, regular reflection by students on the progress of their global awareness, student apprenticeships in teaching, research, or artistic activity, instruction in intercultural communication, more emphasis on writing across the curriculum, increased recognition for our existing academic challenges in major programs, additional major offerings, and a change to the College calendar. The group is still considering additional proposals which require further thought and a longer time-span, such as research institutes and a revamped General Education program.

The groups will submit reports to the Implementation Steering Committee, chaired by the president of the College and the president-elect of the Board of Trustees. The Implementation Steering Committee will compile the working group reports into a Strategic Implementation Plan for board endorsement and public release.

TRANSITION

Student Life

Our College now has the opportunity to be “consciously coed” and to build on the distinctive culture that means so much to us all. We can invite men to experience this tradition, and we can help women and men work together productively. It’s a huge challenge, but I believe our faculty and

students will rise to it now as they have historically—with tenacity, ingenuity, and success.

As we enter this new phase of the College’s life, we look forward to educating more women and men. Our goal is to enroll 1,100 students by 2014–15, and we anticipate that men will account for approximately 30% of the student body. If we achieve our goal, we will be educating more women in future years than we have in any of the past 20 years.

A proposal would create a Center for Women’s and Gender Studies, which would offer faculty development workshops and seminars to ensure that our classrooms are free of gender bias. The center would also offer programs on the current scholarship in women’s and gender studies, and conduct community outreach projects. The center would be a means of infusing our campus and the local community with an awareness of gender issues, both locally and globally. Faculty members have already begun a research program to examine the classroom environment before, during, and after the transition to coeducation. By collecting baseline data during this last semester as a single-sex institution, the research will track any changes that may occur in the classroom climate over the next few years. This may be the first study to systematically investigate classroom climate prior to a transition to coeducation.

We expect that student life will be rich. Our commitment to the Honor Code will continue to be an essential part of campus life, the community will be vibrant, and cherished traditions will continue to evolve, as they have throughout the College’s history. We are committed to working closely with students to ensure that the rituals that resonate with them remain. Some traditions may continue with men joining in, and others may continue only for women as a tribute to our proud history as a woman’s college. Students will largely decide which and how traditions will change—as they have over our 115-year history.

The College recently hosted a visit by Dr. Leslie Miller-Bernal, co-author of *Challenged by Coeducation* and a sociologist who has published three books on women's colleges. Her experience gives us much reason for optimism. In her extensive research on former women's colleges that have become coeducational, she was unable to find any that did not emerge stronger. Without exception, these colleges enjoyed increased enrollment, improved selectivity and quality of students, and stronger finances. Dr. Miller-Bernal also pointed out that these former women's colleges provide a "third way," emphasizing community and a strong sense of gender equality.

Alumnae Giving

We acknowledge that some alumnae have discontinued their giving as a result of the coed decision, but we have also benefited from alumnae coming forward to increase their giving in support of the College's new direction. As difficult as it is to lose financial support from alumnae, the threat of lost support cannot be the primary basis for critical decisions about the College's long-term future. Cohorts at coed colleges that were once women's colleges tell us that one of the regrets they now have is that they did not move to coeducation sooner. They allowed fear of alumnae response to guide their decisions. We hope that the fervor with which some alumnae have been fighting this change may some day be rechanneled as interest and energy that will contribute to the College's future success.

I'd like to emphasize how important it is to continue supporting our Annual Fund. At a time when our needs are greater than ever, the Annual Fund provides crucial day-to-day support of the College. It is inspiring to know—as we struggle to determine what will or won't be funded in the 2007-08 budget—that this year every member of our Board of Trustees has given, and their combined gifts and pledges have reached over \$360,000. Trustee *Emerita* Ginger Muller Shapard '57 has also given one of the three largest Reunion

gifts ever—\$100,000—to commemorate the 50th Reunion of her class. As all these gifts indicate, there is great confidence and faith in the future of the College.

CONCLUSION

I am honored to serve as president during this historic and pivotal time, and I am convinced that our College will grow stronger. It may not be easy, but we will build on our excellent foundation to offer a dynamic curriculum, excellent faculty, and outstanding facilities. Randolph College may not have the unique bonds of an all-women's school, but it will have the strong and respectful bonds of an exceptional, vibrant college community born out of our shared history and steeped in the culture of Randolph-Macon Woman's College.

Please join me in embracing a unique opportunity to strengthen our *alma mater*, and to make it an outstanding new model for coed education in this country.

Virginia Hill Worden '69
Ginger

FINANCIAL UPDATE

by Vice President for Finance and Administration Chris Burnley

The 2005-06 fiscal year of Randolph-Macon Woman's College ended with an operating deficit of \$4.5 million, despite another year of aggressive expense management and continually striving for revenue enhancements.

Over the past few months, we've often been asked how our financial outlook turned so bleak so fast. As we discussed at length in last year's *President's Report*, and in many other publications and discussions with alumnae, students, staff, and faculty, our enrollment challenges have not developed suddenly. Over the past decade, we've deliberately compensated for weakening demand and resulting deficits by relying on our endowment and on short-term steps such as salary caps, hiring freezes, and budget cuts to balance our annual budgets.

As explained in previous reports, the College's annual expenditures are much lower than any of its peers. Our greatest financial challenge is that the College's primary revenue source, net tuition revenue, has been relatively stagnant for a number of years due to declining market demand. After many years of expense reductions and short-term solutions, the Board of Trustees boldly addressed this situation by implementing our new Strategic Plan, which includes going coed, with a global honors emphasis.

Since the Board's decision, I've been asked if our financial situation is the result of mismanagement of our endowment. Just the opposite is true. The fact is that the College's endowment of \$140 million (as of June 30, 2006), is one of the largest among private colleges in Virginia. It has outperformed most benchmarks and the majority of our peers over the past ten years. Such consistent performance is a rarity in endowments of our size, and can be directly attributed to the decisions made by the College's Investment Committee.

While some alumnae have expressed concern about our losses during the stock market decline from 2000 to 2003, the reality is that most of the decline in our endowment's market value was due to our annual budgetary spending needs. Our endowment reached a high of \$151.9 million in September 2000. Between October 2000 and June 2003, gifts added \$6.9 million, negative stock market performance lost \$24.4 million, and annual budgetary spending consumed another \$27.4 million. Thus, the market value of June 30, 2003 was \$107 million.

Strict adherence to the College's investment policy has provided long-term stability. For the year ending June 30, 2004, the endowment returned 21.4%, which ranked us in the top 5% nationally. Our ten-year returns for the years ending June 30, 2005 and 2006 ranked us in the top 25% of all colleges and universities, and our endowment return of 12.4% for the fiscal year ending June 30, 2006 was among the top 30% nationally. The average annual return for the College's pooled investments, net of fees, over the ten-year period ending June 30, 2006 was 9.4%. Comparatively, the S&P 500 returned 8.6%, the Dow Jones Industrial Average returned 11.1%, and the NASDAQ returned 5.6% for this same period. The College reallocated its portfolio in 2004-05 to include a significantly larger position in diversifying investments, which returned 23.7% for fiscal year 2005-06 and 11.5% for fiscal year 2004-05. The College's revised allocations, including 25% domestic equities, 15% international equities, 30% fixed income, and 30% diversifying investments, are expected to produce equity-like returns over the long-term while being less susceptible to the short-term volatility of traditional equities.

Some alumnae have also asked us about the money raised in our recent campaign. The gifts we received have been of immeasurable benefit to the College,

AUDITED FINANCIAL RESULTS 2005-06

OPERATING REVENUES:	
Net Tuition and Fees	\$5,913,406
Gifts	\$4,015,826
Sustainable Endowment Draw	\$6,125,761
Short-term Interest	\$256,319
Government Grants	\$211,482
Auxiliary Services	\$5,102,349
Other	\$156,701
TOTAL	\$21,781,844
OPERATING EXPENSES:	
Educational and General	\$22,570,273
Auxiliary Services	\$3,711,581
TOTAL	\$26,281,854
OPERATING DEFICIT	\$(4,500,010)
NON-OPERATING INCOME:	
Gifts	\$6,518,911
Investment Return	\$9,706,707
TOTAL	\$16,225,618
CHANGE IN NET ASSETS	\$11,725,608

and have established more than 120 new, endowed funds that will support faculty and students in perpetuity. Generous gifts have also enhanced facilities and technology, while still other gifts have enabled us to balance our operating budget in the year they were received. However, not all of the campaign funds could be added to the endowment or spent for improvements. Of the more than \$100 million raised during the campaign, 36% of the total were planned gifts that are not yet available for use, and 7% were pledges that have not yet been completed.

Of the \$58 million that was actually received through June 30, 2006:

- \$28 million was received as Annual Fund and unrestricted gifts and was spent on current operations (scholarships, faculty salaries, library, etc.) and the capital campaign in the year it was received.
- \$5 million was in funding for donor-restricted purposes such as scholarships, summer research, and faculty positions for which funds were spent as they were received.
- \$18 million was added to the endowment, some of which was to support new programs, which resulted in new expenditures as well.
- \$3 million was designated for and spent on capital improvement projects at Smith Memorial Building, Presser Hall, and the new athletic playing field.
- \$4 million was designated for Lipscomb Library and the Physical Education and Recreation Building, most of which has not yet been spent.

STATEMENT OF FINANCIAL POSITION (As of June 30, 2006)

ASSETS:	
Cash and cash equivalents	\$7,674,900
Accounts and notes receivable	\$1,626,459
Contributions receivable	\$7,380,872
Investments	\$150,055,787
Bond origination costs	\$281,462
Land, buildings, and equipment	\$34,155,648
Funds held in trust by others	\$2,412,231
Other assets	\$165,509
TOTAL ASSETS	\$203,752,868
LIABILITIES:	
Accounts and interest payable	\$2,145,322
Student and other deposits	\$259,579
Trust and annuity obligations	\$3,838,017
Post-retirement benefit obligation	\$3,633,104
U.S. government grants refundable	\$629,190
Debt	\$23,849,659
TOTAL LIABILITIES	\$34,354,871
NET ASSETS:	
Unrestricted	\$59,800,830
Temporarily Restricted	\$44,428,528
Permanently Restricted	\$65,168,639
TOTAL NET ASSETS	\$169,397,997
TOTAL LIABILITIES AND NET ASSETS	\$203,752,868

Many have questioned the necessity of the new Strategic Plan, given the fact of our low expenditures, high-performing endowment, successful capital campaign, and generous alumnae base. Unfortunately, all these positive factors have simply not been enough to overcome the reality of declining market demand. This has been confirmed by several independent parties, including our auditors, and most recently the

Southern Association of Colleges and Schools (SACS), our accrediting agency.

SACS requires the College to operate according to certain financial guidelines so that our students may receive federal financial aid, such as Pell Grants. As noted earlier in this paper, during a routine visit last fall to review our new graduate programs, SACS added a financial reviewer. While SACS was highly complimentary about our academic programs, and it took note of the College's sizable endowment and other assets, it found that our endowment spending rate was not sustainable. As a result, the SACS commissioners—75 individuals who are primarily college presidents and CFOs—decided to place the College on warning for failure to comply with the agency's Core Requirement 2.11, which addresses an institution's financial stability.

While the SACS warning confirms the financial imbalance our trustees have been grappling with, it has the unfortunate effect of shortening the time we have to correct the College's financial position. Whereas the College has been planning to reach financial equilibrium within six years, the SACS action could mean that we must shorten our timetable to as little as two years. This will require difficult decisions and may result in new and severe budget cuts on top of all those we've already imposed. Through the collective efforts of many on campus, we are formulating a plan that we believe will demonstrate our commitment to financial equilibrium to the SACS reviewers at their meeting in December 2007.

OF NOTE

Applications

Application numbers for the first coeducational class continue to break records. On April 6, the Admissions Office reported that we have 1,058 completed applications (out of 1,776 submitted) for the Class of 2011. This compares very favorably with 700 completed applications at this time last year. Our enrollment goal for the coming year is 200 first-year students.

This month a total of 50 accepted applicants and interested high school juniors visited campus within one week. Forty more prospective students scheduled visits the next week. Also, a record number of students (over 100) signed up for Spring Open House. We are pleased with the heightened activity, especially since we had to overcome a late start in recruitment last fall after the College's new name was announced in December.

Presidential Search

The Presidential Search Committee comprises alumnae, faculty, trustees, students, and staff. Seven members are alumnae.

The committee has now reviewed and narrowed the applicant pool to a list of candidates to interview. After interviews are completed, the committee will narrow the field further and ultimately recommend a finalist to the Board of Trustees as the College's new president. The current schedule will enable a new president to be named in early summer.

Master's Accreditation

In May 2006 the College inaugurated graduate programs in education: a Master of Arts in Teaching and a Master of Education in two critical shortage areas: English for Second-language Learners (ESLL) or Special Education—Learning Disabilities. Enrollment has been strong, and the first master-level candidates will graduate in May 2007.

When an institution moves from baccalaureate-granting (exclusively) only to awarding degrees at the graduate level, it triggers a routine site accreditation review. The Southern Association of Colleges and Schools (SACS) accrediting team visited in October. Team members were highly complimentary of the College's graduate programs, and SACS affirmed the College's accreditation at the new level.

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