



SACSCOC

Reaffirmation of Accreditation

Focused Report

Core Requirements

- ✓ 2.11.1 - Financial Resources

Comprehensive Standards

- ✓ 3.4.1 - Educational Programs: Academic program approval
- ✓ 3.7.1 - Faculty: Faculty competence
- ✓ 3.8.3 - Library and Other Learning Resources: Qualified staff
- ✓ 3.9.2 - Student Affairs and Services: Student records
- ✓ 3.9.3 - Student Affairs and Services: Qualified staff
- ✓ 3.10.1 - Financial Resources: Financial stability

2.11.1

Financial Resources

The institution has a sound financial base and demonstrated financial stability to support the mission of the institution and the scope of its programs and services.

The member institution provides the following financial statements: (1) an institutional audit (or Standard Review Report issued in accordance with Statements on Standards for Accounting and Review Services issued by the AICPA for those institutions audited as part of a systemwide or statewide audit) and written institutional management letter for the most recent fiscal year prepared by an independent certified public accountant and/or an appropriate governmental auditing agency employing the appropriate audit (or Standard Review Report) guide; (2) a statement of financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets attributable to operations for the most recent year; and (3) an annual budget that is preceded by sound planning, is subject to sound fiscal procedures, and is approved by the governing board.

Audit requirements for applicant institutions may be found in the Commission policy entitled "Accreditation Procedures for Applicant Institutions.

Judgment

☒ Compliance ☐ Partial Compliance ☐ Non-Compliance ☐ Not Applicable

Narrative

Off-Site Committee Finding

Non-Compliance

The institution has provided all of the required documentation for CR 2.11.1. The evidence presented by the institution does not indicate a sound financial base or demonstrated financial stability to support the mission and/or services.

Over the past five years, the institution's enrollment of full-time students decrease from 665 to 581 and total credit hours decrease from 10,441 to 8,827. For the same period, they are supporting an on-line program that has experienced slow growth; however, the number of students in the program is relatively low. In 2011, they had eight students online with 78 credit hours produced. In 2015, they had 22 students producing 207 credit hours. Over that same period, the net tuition and fees have been relatively flat at \$7.2 million with an increase in the 2016 year to \$7.8 million. Over the past three years, the net of auxiliary income has been negative (loss) meaning the auxiliary operations are not breaking even. Additionally, over the past three years, the loss in auxiliary income has reduced from \$800,932 to \$298,772.

The unrestricted expenditures are increasing at a faster pace than revenue increase. Over the past four years, the change in unrestricted net assets has seen two years of significant declines over \$1.4 million, while the two years of positive change have been less impactful at around \$500,000.

The institution provided operating financial ratios for five fiscal years. Over those years, for the most part, they have not shown adequate financial performance. For example; the primary reserve ratio is negative every year. The net income ratio is negative all but fiscal year 2015. The return on net assets ratio is negative 3 out of 5 years. The viability ratio is negative all five years, and the debt burden ratio is positive in 2016; however, they are well below the target ratio. The composite financial index measuring overall financial health is negative all five years.

The institution presented their management letters for the past several years which indicate numerous internal control issues. They also indicate there have been some issues in the endowment accounting area. The institution has hired a new President, hired several new experienced cabinet level individuals and strengthen their controls and policies. The institution has seen some positive change in fiscal 2016, including an increase in enrollment and fundraising metrics.

The institution has received unmodified audit opinions for the past several years.

Response

Kentucky Wesleyan College has a sound financial base and demonstrated financial stability to support its mission, programs, and services. The mission statement is:

Kentucky Wesleyan College, in partnership with the United Methodist Church, fosters a liberal arts education that nourishes and prepares students intellectually, spiritually, and physically to achieve success in life.

Adopted by the Board of Trustees in June 2014 and reaffirmed in February 2016

Campus academic, athletic and co-curricular activities encourage students to think critically, communicate effectively and live ethically in a complex, rapidly changing world. The College's financial strategies and decisions seek to optimize fiscal resources, programs, and student experiences in support of these goals. This is accomplished with appropriate management and fiscal oversight by organizations such as the United Methodist Church, accrediting bodies, and federal regulatory agencies.

The current Board of Trustees and Administration are focused on quality academic and student life experiences for our current students and also on building future fiscal stability through additional resources from student enrollments and external fund raising. These efforts include strategies for expanded enrollment, improved retention, successful Advancement and Admissions functions and progressive marketing that supports all business functions of the College.

Enrollment and Retention

Kentucky Wesleyan has experienced an increase of 10.5 % in fall student enrollment (FT) over the fall FY 2013-2017 time period and a 18% increase in the freshman cohort size over the past five years (Figure 2.11.1-1), even as admissions standards increased. These enrollment increases indicate initial success in strategic efforts to reverse the enrollment decline through changes in admissions procedures and policies, enhanced marketing, strengthening academic support services, improving on-going retention efforts, and improving co-curricular experiences.

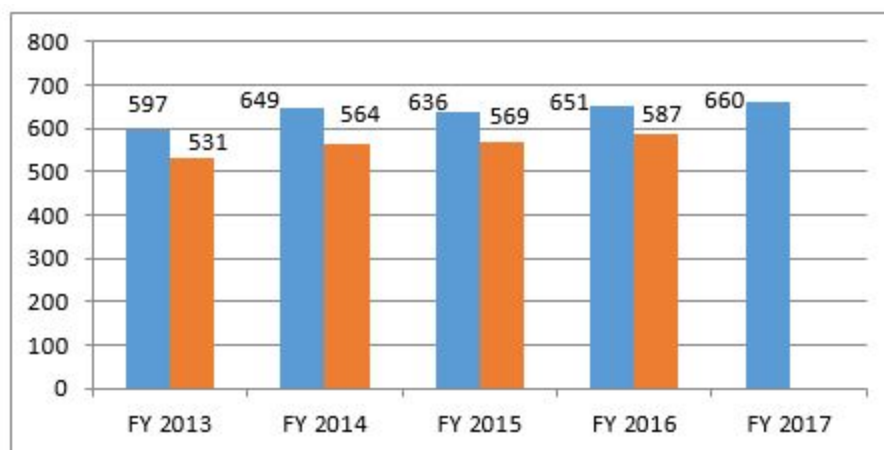


Figure 2.11.1-1: Student Enrollment (FT) FY 2013 - FY 2017

In 2005 to increase enrollment, admission standards were eliminated and athletic squad sizes were increased dramatically above the level that ensured students had a meaningful athletic experience, including active participation in their sport. These changes resulted in significant increases in enrollment and a concomitant decrease in retention over the next several years.

Admissions policies began to change in FY 2009 to impact the FY 2010 incoming class. **This was a strategic decision made to improve retention and ultimately graduation rates.** Minimum admission requirements were re-established and gradually began to increase (automatic admit with an ACT of 17 and a HS GPA of 2.0 for FY 2010 cohort to ACT of 19 and HS GPA 2.0 for FY 2015 [incoming cohort 2014], followed by an increase of HS GPA to a 2.5 for the FY 2016 and 2017 cohorts). These changes resulted in **planned, smaller first year cohorts** based on the College's historic recruitment strategies and procedures. Additionally, strategic changes in admissions procedures began which resulted in targeted recruitment of students during the sophomore year of high school instead of targeting local high school seniors and junior college transfer athletes, pursuing new geographic areas for recruitment, continuing to slowly decrease athletic squad sizes to improve the overall student athletic experience, and creating new academic programs to draw students who were non-athletes. These changes were designed to ultimately recruit students who would be successful academically and hence improve retention. In 2011, **another strategic decision was made to change athletic conferences** to improve the overall student athletic experience

and retention of student athletes. Play in the new athletic conference began in academic year 2012-2013. This change in conference has led to more competitive athletic experiences for students in terms of team performances and individual accomplishments.

In 2014, Admissions implemented several new initiatives including:

- A re-vamped Admissions program that utilizes current student marketing strategies (e.g., implementation of social media, electronic communications, and updated recruiting material);
- Expansion of the Admissions and Financial Aid staff to include additional recruiting staff (i.e., three counselors in 2008 to six full-time admissions counselors in 2015), a social media director to coordinate recruitment initiatives, and an additional financial aid counselor;
- Utilization of an integrated Admissions tracking and management system, which increases counselors' ability to access data while on recruiting trips along with enhanced reporting and automated communication capabilities; and
- Increasing student opportunities for campus engagement through strategically planned expansions in athletic and music programs.

Additionally, **strengthening student academic support services has yielded improvements in first year retention rates (54% for the 2011 cohort to 67% for the 2015 cohort and 68% for the 2016 cohort).** Improvements in services included:

- Adding extra help sessions that focus on reading and study skills, writing, and mathematics for entry level History, English, and Mathematics courses that target students who entered with low ACT scores in Reading, English, and Math;
- Developing a remedial math course for students who were severely deficient in basic math skills; and
- Supplemental instructors for courses with low course completion rates, which due to their success have become standard for all courses with completion rates below 75%.

Additional efforts to increase first to second year and second to third year retention are underway as a planned strategy to support enrollment growth. Among them are:

- Restructuring student support services.
- A comprehensive sophomore year program, funded by a \$450,000 James Graham Brown grant, has improved second to third year retention (note: this is not cohort retention). Retention rate for the second year of the program was 78%, and 77% for the third year of the program. These are significant increases from 46% in 2013.
- A Center for Engaged Teaching and Learning was established in spring 2015. It is funded by an allocation from a \$2,187,187 Department of Education Title III Strengthening Institutions Grant designed to incorporate high impact learning pedagogies and opportunities into curricular and co-curricular

programs and activities. Pedagogical workshops led to the awarding of 23 mini-grants for faculty development to improve engagement in existing courses and/or through co-curricular experiences.

- Implementation of an institutional retention team comprised of faculty, student life and athletic staff in fall 2014 has been an important tool in serving our students and has assisted in improving retention, particularly for first and second year students. The team works with students to help them receive academic support, social services support, complete financial aid requirements, assist in clearing up outstanding bills, etc. The efforts during the past two years resulted in an increase in returning students. **Overall retention for Fall 2016 was 73% and for Fall 2017 was 74%,** as opposed to previous years where returning students ranged from 63-70%.
- Fall 2016 included a new freshman orientation program and a new freshman year experience program that prepared students to succeed academically, led to integration of students into the institution, and thus improved retention.
- A new Dean of Student Success was appointed summer 2016. She oversees the new Student Success Center, which provides expanded academic support services for all students, including required study tables for all freshman student athletes and student athletes with GPAs of 2.5 or lower; peer tutors; supplemental instructors; and faculty support for writing and other needed tutoring services.
- A new faculty member in English was appointed in summer 2017. She has expertise in reading and has 75% reassigned time to the Student Success Center. She will help students develop reading and reading comprehension skills and develop the new Peer Writing Fellows program associated with our new QEP.
- A junior year program, *Wesleyan into the World*, will kick off in January 2018. This program targets third year students and is designed to help them transition into life after college.

Financial Audits

Table 2.11.1-1 below includes annual audit reports with the federal supplementary section, management letters, and corrective action plans. Audits of the College are conducted by external certified public accounting firms and have reflected unqualified opinions in all past fiscal years. To ensure reporting accuracy and integrity, the College adheres to generally-accepted accounting principles (GAAP), standards of the American Institute of Certified Public Accountants (AICPA), standards of the Financial Accounting Standards Board (FASB) and recommendations of the National Association of College and University Business Officers (NACUBO) for financial accounting.

Table 2.11.1-1: Financial Audits, Management Letters, Supplementary Information, and Corrective Action Plans for FY 2014 - FY 2017

Financial Audits	Management Letters	Supplementary Information	Corrective Action Plans
FY 2014	FY 2014	FY 2014	FY 2014
FY 2015	FY 2015	FY 2015	FY 2015
FY 2016	FY 2016	FY 2016	FY 2016
FY 2017	FY 2017	FY 2017	FY 2017

To supplement annual audit information, the College distributes annually to the Board of Trustees a compilation of [multi-year comparative financial reports](#). A template of [financial ratios](#) with appropriate targets is also updated annually and serves as a tool for tracking the College's financial trends and analyzing financial activities. These tools are valuable in strategic planning and decisions that have financial implications. Fiscal operations and ratio trends have become more positive as new leadership strategies implemented since 2014 have begun to reflect fiscal success.

Net Assets

The College's annual audited fiscal operations reflect an increase of \$5,271,831 or 13.9% in net assets during FY 2014 – FY 2017 (Figure 2.11.1-2). FY 2016 fiscal activities incurred non-operating, unrealized losses and other changes in net assets of (\$2,503,300), the primary cause of a decrease of \$2,761,962 net assets. Without the loss on investments ending FY 2016, unrestricted net assets would have been \$4,266,755, an increase of \$520,578 or 14%. In FY 2017 an increase of \$2,956,896 occurred bringing total net assets to \$43,051,944.

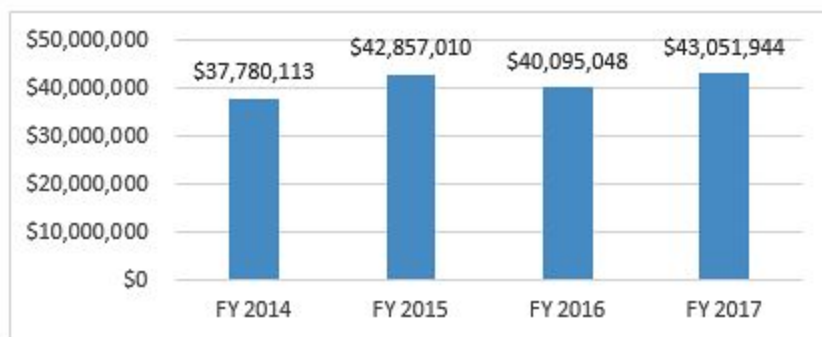


Figure 2.11.1-2: Net Assets FY 2014 - FY 2017

Permanently Restricted Assets (Endowment & Annuities)

Investment of permanently restricted net assets provide a stable source of annual operating revenue to fund critical scholarships and operating programs. These assets have grown from \$31,371,641 in FY 2014 to \$36,455,362 in FY 2017, a 16.2% increase (Figure 2.11.1-3). Bequests and gifts to the Permanently Restricted Fund generate income to support critical operating activities and provide operating budget support. The FY 2016 Permanently Restricted Fund total decreased due to changes in the market value of trusts, bequests, and fund

releases. FY 2017 reflects gifts and net additions totaling \$350,402.

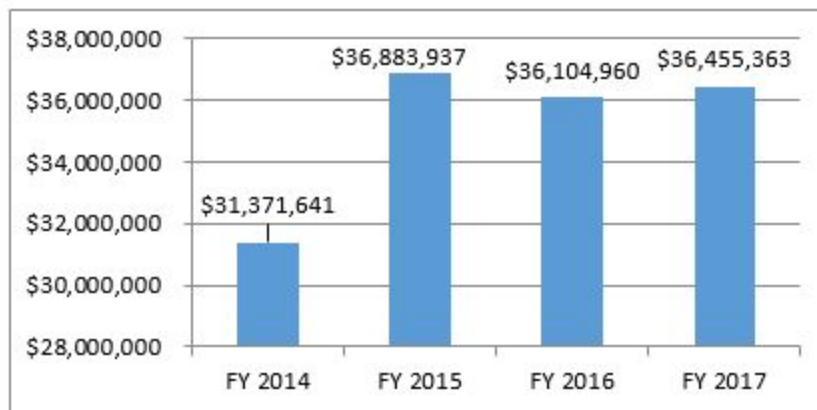


Figure 2.11.1-3: Permanently Restricted Funds (Endowment) FY 2014 - FY 2017

The Board of Trustees, Board Investment Committee, and Board Finance Committee approve the College's endowment investment strategy, review fiscal results, and monitor market fluctuations closely using the [Endowment Investment Policy](#) as a guideline. The majority of endowment assets have been managed by a professional external investment firm, Hirtle Callaghan. This firm, selected via bid process conducted by the Board of Trustees in June 2011, [reviews the endowment fund market activity](#) with trustees at each Board Meeting. The Board evaluates portfolio performance and makes policy decisions and recommendations as warranted.

Based on evaluation of the endowment fund performance in recent years, the Board of Trustees reviewed the consultant, conducted a search and engaged another investment consulting firm (Fourth Street Performance Partners) with extensive experience in small college endowment portfolios. **The goal with this change in portfolio consultants is to incur less value volatility, achieve steady market earnings in returns along with capital growth and appreciation.** The methodical transition to the new consulting services was begun in the August 2017. Being a substantial fiscal asset of the College, the endowment fund investment function, strategy, portfolio consulting and performance will continue to be a priority of financial focus and management for the Administration and Board of Trustees.

The College endowment purchased Wesleyan Village, a \$1,750,000 apartment complex adjacent to campus, in 2010 as a real estate investment. [Financial returns on the complex](#) generate attractive, consistent annual returns on the investment.

Comparing the endowment value per full-time (FT) undergraduate student, as calculated by the Association of Independent Kentucky Colleges and Universities (AIKCU), Kentucky Wesleyan College's \$55,551 per FT undergraduate student was well above the median of \$24,057 per FT undergraduate student for AIKCU schools, and was ranked 5th highest of all [19 AIKCU schools](#) based on the most

current (FY 2015) data available.

Wesleyan's endowment fund will continue to provide a consistent and growing source of funding to supplement annual operational revenue via a professionally managed, balanced portfolio focused on income and long-term growth. Additionally, several bequests and deferred gifts totaling over \$5 million designated for operations and permanent restriction, while not currently eligible for recording in financial records, are tracked and monitored to ensure their future maturity for the benefit of the College.

Investment Returns

The College's investment returns are detailed in the annual audits and summarized by fund in Table 2.11.1-2. [FY 2016 net unrealized losses](#) impacted the return to an overall loss of -2%. NACUBO reported a 1.9% endowment market loss by all colleges and institutions in FY 2016, so the college endowment fund was following trends of a poor investment market. Taking the unrealized loss out of the calculation, long-term investments would have increased by \$32,524,577 to \$27,121,118 for an increase of 10% exclusive of operating draws.

Table 2.11.1-2: Annual Investment Dollar and % Returns

	FY 2014	FY 2015	FY 2016	FY 2017
Unrestricted	\$1,094,433	\$1,163,472	\$(855,669)	\$1,434,896
Temporarily Restricted	\$1,061,485	(\$562,289)	\$125,170	\$1,708,633
Permanently Restricted	\$54,113	\$38,112	(\$19,940)	\$45,802
Total \$ Return	\$2,210,031	\$639,295	(\$750,439)	\$3,189,331
Permanently Restricted funds at beginning of FY	\$29,968,813	\$31,371,641	\$36,883,937	\$36,104,960
Annual % Return	7.3%	2.0%	-2.0%	8.8%

Unrestricted Net Assets

The FY 2017 annual change in unrestricted net assets due to operations reflects an increase of \$957,815 (Figure 2.11.1-4).

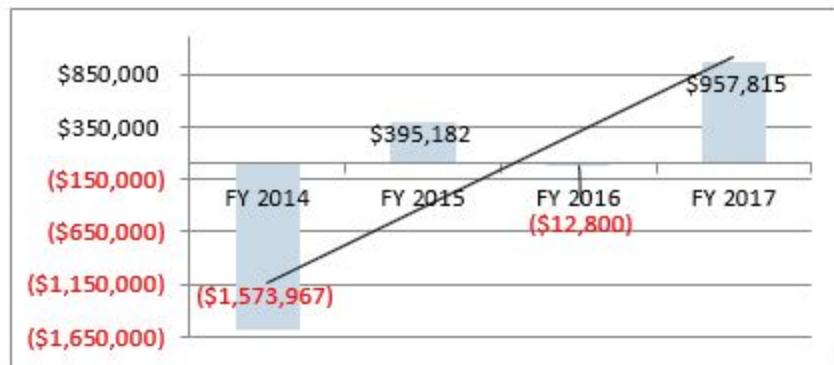


Figure 2.11.1-4: Change in Unrestricted Operating Net Assets for FY 2014 – FY 2017

The positive trend in recent years indicates the significant influence of a change in presidential leadership, priorities, strategy, and management beginning in September 2014 under President Bart Darrell. Significant improvements in the Advancement and Admissions functions along with improved fiscal budget allocations and control have successfully strengthened operations and fiscal results.

The [Other Changes in Unrestricted Net Assets](#) section of the FY 2016 audit included an unrealized loss of (\$2,082,242) and additional resources totaling \$533,378. That item caused an overall decrease of \$1,548,864 resulting in unrestricted net assets (operating and other) of \$2,184,513 for FY 2016 (Figure 2.11.1-5).

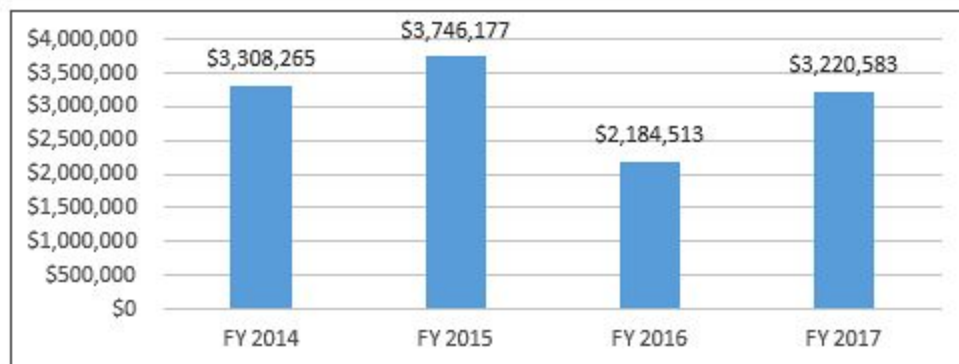


Figure 2.11.1-5: Unrestricted Fund Net Assets FY 2014 - FY 2017

The FY 2017 other changes in net assets activity also reflects an increase in net assets totaling \$1,036,070 or other changes in unrestricted net assets of \$78,255.

While the endowment unrealized market value is a monitored fiscal activity, the endowment market value decline does not reflect manageable operating losses of unrestricted funds. [NACUBO reported](#) a 1.9% endowment market loss by all colleges and institutions in FY 2016, so the college endowment fund was following trends of the investment market. New accounting regulations scheduled for

implementation in FY 2018 and beyond will not record unrealized losses in the endowment market value of permanently restricted endowment funds against unrestricted funds, as this does not truly reflect unrestricted operating results as managed and conducted within the college.

Plant Fund

The College has a fully functional, efficient and attractive [physical plant](#) asset of 396,040 sq. feet valued in the books at \$17,885,643 (excluding Wesleyan Village) to support instructional, academic support, student life, residential and institutional functions of the annual operation. This asset is carefully maintained, updated and managed with a contracted facilities management firm working with the Administration and Board of Trustees to provide optimal utilization for the College.

The College's total facility debt compared with the conservative appraised property value of \$30,000,000 as provided by [CBRE](#) on September 9, 2014 demonstrates that the College has carefully controlled debt while focusing on maintaining and updating facilities to support growth and strengthening of the college.

Unrestricted Net Assets Excluding Plant (UNAEP)

The FY 2017 UNAEP calculation reflects substantial improvement over prior years in this financial benchmark (Table 2.11.1-3). The audit includes the endowment real estate asset as college property and plant, so the depreciated value of this complex is appropriately subtracted from the College's overall property value in determining UNAEP (Unrestricted Net Assets excluding Plant & Plant Debt).

Table 2.11.1-3: Unrestricted Net Assets Exclusive of Plant (UNAEP) - FY 2014 – FY 2017

	FY 2014	FY 2015	FY 2016	FY 2017
Unrestricted Net Assets	\$3,308,265	\$3,746,177	\$2,184,513	3,220,583
Less Plant Assets	(\$17,154,108)	(\$19,609,014)	(\$20,020,118)	(\$19,406,626)
Endowment Apartment Property (Net of Depreciation)	\$1,611,584	\$1,581,383	\$1,551,183	\$1,520,983
Plant Debt	\$5,267,013	\$7,350,495	\$9,066,020	\$8,727,401
Unrestricted Assets Excluding Plant	(\$6,967,246)	(\$6,930,959)	(\$7,218,402)	(\$5,937,659)
Annual Change in UNAEP	(\$1,234,833)	\$36,287	(\$287,443)	\$1,280,743

Current institutional leadership is focused on improving annual fiscal operations and unrestricted reserves congruent with the Advancement priority of securing

unrestricted major gift commitments to further restore net assets and this fiscal benchmark. No major capital projects or additions in operating expenditures are forecasted, so the College can build additional fiscal stability and restore the UNAEP position. Major future capital projects will be funded via a capital campaign program to be created and secured via the successful Advancement function. Other unrestricted special gifts, gift insurance policy proceeds, and estates being tracked by the College maturing in the next few years will also be used to build unrestricted fiscal reserves.

Long Term Debt

The College's long term debt increased a net of \$3,460,388 from FY 2014 – FY 2017 (Table 2.11.1-3). The Board of Trustees made a strategic decision in early FY 2015 to externally finance improvement of a 35,000 square foot, 1967 residence hall that had been dormant for two years and experienced very low occupancy prior to that. The debt was secured and renovation started in fall of 2014 with completion on August 10, 2015 as scheduled. The project was within the approved budget and secured renovation funds.

Campus [residential student population increased](#) 19.6% from 320 in Fall 2014 to 383 in Fall 2017 (FY 2018). Therefore, this capital renovation investment is effective in generating additional auxiliary revenue (housing and dining) and creating a more efficient core number of campus residents to offset fixed expenses of residential facilities. The project, promoted positive financial return on an existing building along with better housing options and improved net auxiliary revenue (see Net Auxiliary Financial Operations below).

Enhancing campus engagement also occurred as a result of this capital investment. There was an increased number of residential students reflected in the improved retention statistics reported for Fall 2017 (see Enrollment and Endowment above).

Financing for this campus housing renovation also provided an opportunity for the College to combine prior facility debt into one plant debt instrument at a lower interest rate and with more favorable loan terms. The College is in [compliance with all operational and financial covenants](#) with the current debt holder, Independence Bank.

The FY 2017 debt burden [financial ratio](#) of 5.24 % is substantially lower than the 7.0% level suggested for colleges.

Future capital projects will be funded via a capital campaign program staged by the appropriately staffed and qualified Advancement function now in place (see Advancement and Capital Campaign below).

Operational Cash Flows

Cash flow from operations reflects substantial improvement during the FY 2015 – FY 2017 period. The net cash operations deficit in FY 2014 (Table 2.11.1-4) is

reflective of the overall poor fiscal operating results that year, but is now exhibiting improvement due to the changes in institutional priorities, management and fiscal performance.

Table 2.11.1-.4: Operating Cash Flows FY 2014 - FY 2017

	FY 2014	FY 2015	FY 2016	FY 2017
Net cash from operations	(\$1,339,596)	\$246,697	\$(149,192)	\$976,024
Annual Change in Total Cash & Equivalents	(\$183,758)	\$11,294	\$142,436	\$1,456,406
Balance of Cash & Equivalents at Year End	\$189,398	\$200,692	\$343,128	\$1,808,534

Pledges of gifts are appropriately reported as operating revenue and any short-term cash flow needs due to timing of gifts and expenditures are managed each year with an operating line of credit with the College's primary financial partner, Independence Bank. Careful cash flow management each year has allowed **the College to meet every fiscal obligation (payrolls, taxes, vendor payments, etc.) in a timely manner without issue.**

Borrowing from Endowment

The College became increasingly dependent on an operating line of credit with a former primary bank during prior years of weak financial performance. The Board of Trustees opted to borrow from the endowment fund at the same market rate the College was paying on the bank line of credit. The strategic move was made to reduce the bank operating line of credit utilization and strengthen the College's external debt position in relation to stringent bond covenant requirements imposed by the College's previous facility loan. That facility debt was [refinanced](#) in November 2014 with a different bank that does not impose overly stringent debt covenants and compliance fees. The College is in [compliance with all operational and financial covenants](#), including debt.

The borrowing of additional cash from the endowment fund to supplement operating cash was no longer necessary beginning in FY 2015 due to the strengthening fiscal operations of the institution. The last draw of \$500,000 was borrowed in late spring of 2015 and reflected on the FY 2015 audit for a total obligation of \$4,125,000 (Table 2.11.1-5). That \$500,000 was returned to the endowment fund in September 2015 and an additional payment of \$500,000 was completed in February 2016 to reduce the outstanding balance at the end of FY 2016. The scheduled \$700,000 repayment for FY 2017 was also made.

Table 2.11.1-5: Balance of Funds Borrowed from Endowment Fund FY 2014 – 2017

	FY 2014	FY 2015	FY 2016	FY 2017
Balance of Funds Borrowed from Endowment at FY End	\$3,625,000	\$4,125,000	\$3,625,000	\$2,925,000

A complete repayment schedule for the internal endowment borrowing was approved by the Board of Trustees with full repayment of the internal endowment debt scheduled to be completed no later than FY 2021 (Table 2.11.1-6).

Table 2.11.1-6: Schedule for Internal Loan Repayment on Endowment Note

Fiscal Year	Scheduled/Completed Repayments during Fiscal Year	Balance at Fiscal Year End
FY 2015		\$4,125,000
FY 2016	\$500,000	\$3,625,000
FY 2017	\$700,000	\$2,925,000
FY 2018	\$700,000	\$2,225,000
FY 2019	\$700,000	\$1,525,000
FY 2020	\$700,000	\$825,000
FY 2021	\$825,000	-0-

The Board of Trustees discusses annually the current re-payment schedule in light of available cash and receipt of unrestricted estate or special gifts beyond operating requirements. Additional re-payments that do not degrade operating cash flow will be considered.

Department of Education Fiscal Responsibility Score

A table reflecting the recent [Department of Education Fiscal Responsibility Scores](#) and the [FY 2017 institutional calculation](#) of 1.4 also reflect the College's current positive fiscal status. A letter of credit from the College's primary bank has been utilized to meet federal Department of Education requirements for participation in the student aid programs. An updated letter of credit has been [tentatively approved by the bank](#) for the upcoming certification period.

Net Tuition and Fee Revenue

Net tuition and fee revenue, a major financial resource for the College, increased during the period of FY 2014 – FY 2017 (Figure 2.11.1-6). This increase is attributable to moderate tuition and fee increases; increasing full-time enrollment; implementation of additional fees to fund specific activities (sports medicine fee, on-line fees, etc.); and carefully managed unrestricted financial aid packaging.

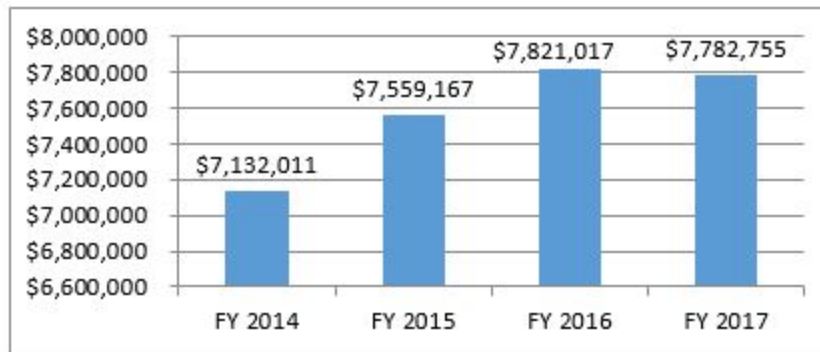


Figure 2.11.1-6: Net Tuition and Fee Revenue FY 2014 –17

The College strategically utilizes unrestricted, restricted, and endowed scholarship dollars to minimize the cost of institutionally funded awards. Responsible financial aid packaging practices with optimal marketing impact are monitored and promoted annually. Endowment additions and other donor and grant gifts focusing on funding student financial aid continue to assist the college in maximizing operational net tuition and fee revenue.

Gifts and Grants

A shortfall in unrestricted private gifts and grants contributed significantly to the erosion of fiscal reserves in prior fiscal years. The College's Advancement functions had experienced a high turnover in key leadership and staff positions and there were significant periods of no leadership during the FY 2012-2014 time frame. Persistent turnover and vacancies resulted in poor execution of efforts to secure unrestricted annual funds and the resulting poor operating fiscal results. An experienced Vice President of Advancement was hired in January 2015 and implemented the necessary infrastructure (e.g., staffing additions and programmatic changes) to establish a professional, comprehensive Advancement program that exceeded gift targets in recent years (Figure 2.11.1-7).

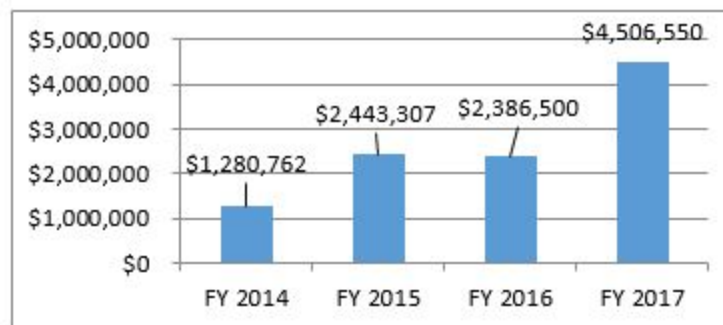


Figure 2.11.1-7: Private Gifts and Grants FY 2014- FY 2017

Goals were established to increase engagement of alumni and friends, which led to more participation through philanthropy. A summary of accomplishments and strategies in Advancement that have positively impacted fiscal operations follows.

- A 30% increase in the number of donors to the College (from 1,339 to 1,742)

- A 42% increase in the average gift to the College since FY 2014
- A 42% (255 vs 179 donors) increase of President's Circle members in FY 2016 as compared to FY 2015, when this group was launched. This group recognizes and stewards those who give \$1,000 or more annually.
- Key staff positions have been created and filled. These include Director of Development and Donor Relations, Director of Advancement Operations, Director of Major Gifts (since transitioned to Associate Athletic Director for External Operations), and Senior Director of Alumni Relations.
- The [Rogers Foundation](#) (Las Vegas, NV) committed to providing \$10 million of scholarship assistance to students from Nevada over the next ten years, with a commitment of the first million in FY 2015.
- Unrestricted gifts of \$1 million in FY 2016 and \$2.8 million in 2017
- Three unrestricted gifts of \$100,000+ over the last 18 months
- Eight unrestricted gifts of \$25,000+ in FY 2016
- The inaugural "Day of Giving" on December 1, 2015 generated gifts totaling \$113,054 and in December 2016, gifts for this day totaled \$147,472
- For the first time ever, 100% giving by both the Board of Trustees and Alumni Association Board of Directors in FY 2015, FY 2016 and FY 2017

The primary Advancement focus has been on unrestricted annual gifts, which have an immediate impact on the operational budget and building fiscal reserves. The College's successful increased trend of unrestricted gifts along with operational strategies for increasing other financial sources from enrollment and net auxiliary operations, exhibit fiscal stability in unrestricted fund activity.

Net Auxiliary Financial Operations

Fiscal contributions from net auxiliary fiscal operations has improved over the FY 2014 to FY 2017 time period (Figure 2.11.1-8). Underutilized residential space on campus creates a loss in the overall analysis, but the residential population count and full-time enrollment growth produced increased Auxiliary revenue in each of the last four fiscal years.

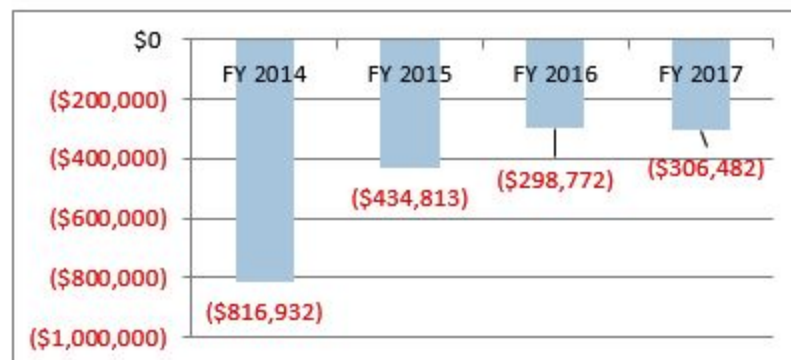


Figure 2.11.1-8: Net Auxiliary Operations FY 2014 – 2017

These decreasing auxiliary deficits and the increase in residential students are the results of **a strategic plan that has improved** the overall condition of housing

facilities, implemented updated housing policies, and enhanced campus residential life experiences. The College historically housed approximately 50% of the full-time student population, but that [increased to 58% in Fall 2017](#). FY 2017 net auxiliary fiscal results are about the same as the prior year due to significant utility rate increases that hampered progress in the net margin. The newly renovated Kendall Hall has generated significant interest and increased occupancy in campus housing while generating additional net auxiliary revenue through increased residential fees and dining.

The revised campus residential policies and new housing staff leadership are focused on promoting campus living, co-curricular benefits, and continuing growth in the number and percentage of residential students. Strengthening residential programming that benefits students, and marketing the advantages of residential housing to students and parents will continue to improve retention, student satisfaction, and net auxiliary revenues.

FY 2018 Unrestricted Operating Budget

The [Institutional Budget Advisory Committee](#) is utilized annually to provide input for determining annual budget priorities, engage in discussions and review proposed budgets. The [FY 2018 operating budget](#) includes realistic revenues, carefully controlled expenditures and a positive operating margin. This budget adequately funds educational and co-curricular program expenditures that are key to academic integrity, enrollment growth and better retention. The annual budget, with an operating margin of \$100,320, was approved by the Board of Trustees in June 2017 and [updated in September 2017](#). Further details of the FY 2018 operating budget are explained in the materials for [CS 3.10.1 Financial Stability](#).

Operational Fund Fiscal Planning and Budgeting

Operating fund fiscal planning and annual budget allocations include strategies to continue building financial stability through student enrollment, increased campus residential occupancy, increased retention efforts and continued unrestricted gift resources. Operating expenses have been strategically re-allocated and moderated as the institution is re-engineered toward optimal shared priorities by campus leadership and budget directors. Increasing staff and faculty compensation along with funding appropriate operating programs is a constant focus of the institution. These critical considerations, undertaken in a methodical, fiscally sound manner, will further strengthen the institution's financial position under the new leadership. Restricted gifts and grant funds are secured and released to the unrestricted fund operation as directed by the donor or agency to supplement unrestricted operating fiscal activities.

Recent unrestricted fiscal operations demonstrate fiscal stability under the new institutional leadership and strategies. The detailed [Financial Operations Planning Summary](#) is a pro forma operating projection based on realistic, achievable assumptions and realistic projections based on actual results from recent years. In conjunction with conservative revenue and operating expenditure increases, this operating budget plan focuses on providing strong academic programs,

updated co-curricular activities, strategic enrollment management, and enhanced marketing campaigns. Securing the appropriate personnel and programs in these crucial areas supports fiscal stability and health, as the institution is dependent on enrollment for a substantial portion of resources. Fundraising goals for the operating budget and additional unrestricted resources that will continue to build reserves are key priorities in the institution's fiscal longer term planning. This comprehensive financial operating plan is updated annually and reviewed periodically as strategic steps are accomplished or changes in projections and operation conditions merit revision.

Key assumptions utilized to compile the Financial Operations Planning Model are:

- Full-time student enrollment in traditional, residential degree programs and residential student population as outlined on the summary page. On-line education is on-going at the College with opportunities to generate additional revenue, but conservative estimates are utilized in this relatively recent venture for the College.
- Moderate and competitive annual tuition, residential, and dining hall fee increases that can be effectively marketed to students.
- Strategies to increase the residential student population that include better utilization of housing options via more stringent criteria for eligibility to live off-campus and a re-vitalized campus life program that makes campus more dynamic and attractive for students.
- Advancement goals for gifts to restore unrestricted reserves, restricted projects, and capital gifts continue as a priority.
- Limited strategic additions of staff and faculty with a priority of improved efficiency by utilizing technology and data from the institutional software.
- Employee compensation and benefit increases budgeted at 2% in FY 2019, 4% in FY 2020, and 6% in FY 2021 to provide funding for retaining quality staff and faculty and meeting rising costs of human resources.
- Program funding re-allocations to enhance critical student recruitment and retention activities across academic and co-curricular programs along with additional program increases amounting to 1% in FY 2019, 3% in FY 2021, and 3% in FY 2022.

While there is realistic optimism for significant growth in enrollment via retention and recruitment, the Plan will continue to utilize conservative revenue and expenditure projections to avoid fiscal setbacks and provide opportunities for actual fiscal results to exceed forecasts. The Board has affirmed that conservative revenue projections, effective cost containment measures, and fiscal controls must be continued to further improve fiscal stability and operating margins. College leadership is very cognizant of the critical management task to operate efficiently, utilizing all feasible savings and revenue generating sources, to continue generating positive net revenue margins. Strategically investing in institutional programs to ensure sustainable enrollment growth, increased student retention, and student success in academic and co-curricular programs continues to be the focus.

Substantial programmatic and/or personnel expenditure reductions to simply

increase the operating margin are not feasible for long term sustainability of the institution. The College must maintain academic integrity and competitive programs for current and future success. Reductions would undermine the quality of education and student experiences and therefore negatively impact the integrity, marketability, reputation and long term recruiting and retention success that has been realized in the past three years. All these factors are critical components to the plan to continue to strengthen fiscal stability. Methodically improving annual operations that are providing improved financial stability along with an upcoming capital campaign will continue to build the financial base for fiscal stability and success.

Advancement and Capital Campaign

Over the last two-plus years, the College has taken several steps to build an infrastructure for a comprehensive institutional advancement program, starting with the addition of a new Vice President for Advancement in February of 2015 and hiring experienced fundraisers and support personnel, as well as a new Senior Director of Alumni Relations. The focus since then has been on generating unrestricted operating funds to ensure the financial stability of the College. Over the last three fiscal years, the College has averaged just over \$2.2 million per year in such revenues and the number of annual donors at \$1,000 and above has grown by 42%.

As the College looks forward in the short-term to continue our positive trajectory and build for long-term sustainable growth, it is imperative that a comprehensive capital campaign be launched in the immediate future. To do so, the following steps have been taken:

- The Vice President for Advancement has asked each member of the Cabinet to provide funding priorities for their respective divisions, as well as those for campus-wide technology and Campus Ministries.
- On July 31 of this year, the College entered into a three-year agreement with Blackbaud to outfit the Advancement Office with the Raiser's Edge NXT software, the industry leader in CRM fundraising technology for non-profit organizations, including over 1,200 colleges and universities worldwide. Although implementation of the software will take 6-8 months, this will provide the state-of-the-art tools to locate and evaluate major gift prospects with the highest level of capacity and affinity for the College, strategically pursue them, and efficiently track current and future activity for campaign participation. In addition, it will allow the College to strategically and efficiently communicate with those most likely to give generously to the institution.
- Through this, and other data mining offered by the system, it is anticipated that the College will identify a realistic campaign goal in the spring of 2018, with an anticipated "silent phase" to begin June 1, 2018. While such a campaign would be built around capital projects and annual operating resources, it would also include the acquisition of additional supplementary resources to ensure continued strengthening of fiscal stability and reserves.

Evidence of Compliance: The College has provided evidence that it has a sound

financial base and will maintain and improve its financial stability and reserves. The College is basing fiscal operations on annual plans and practices that include realistic enrollments, achievable gift revenues, and strategic resource allocations to support essential mission functions along with effective cost containment and control measures.

Sources

📁 Audits	▲
📄 FY 2014 Audited Financial Report	▼
📄 FY 2015 Audited Financial Report	▲
📄 FY 2016 Audited Financial Report	▼
📄 FY 2017 Audited Financial Report	▲
📁 Corrective Action Plans	▼
📄 FY 2014 Corrective Action Plan	▲
📄 FY 2015 Corrective Action Plan	▼
📄 FY 2016 Corrective Action Plan	▲
📄 FY 2017 Corrective Action Plan	▼
📁 Management Letters	▲
📄 FY 2014 Audit Management Letter	▼
📄 FY 2015 Audit Management Letter	▲
📄 FY 2016 Audit Management Letter	▼
📄 FY 2017 Audit Management Letter	▲
📁 Supplementary Information	▼
📄 FY 2014 Supplementary Information	▲
📄 FY 2015 Supplementary Information	▼
📄 FY 2016 Supplementary Information	▲
📄 FY 2017 Supplementary Information	▼
📄 AIKCU FY 2015 Endowments	▲
📄 Board of Trustees Minutes Sept 2017	▼
📄 CBRE Appraisal	▲
📄 Dept of Education Responsibility Score Calculation FY 2017	▼
📄 DOE Financial Responsibility Score Table	▲
📄 Endowment Fund Investment Policy	▼
📄 Endowment Fund Market Activity Review	▲
📄 Faculty Handbook 2016 (Page 16)	▼
📄 Fall 2017 Enrollment Comparison	▲

-  Finance Committee Recommendation Oct 2014
-  Financial Operations Planning Summary
-  Financial Ratios FY 2014 -2017
-  Financial Trends & Comparative Financial Statements
-  FY 2016 Unrealized Loss and Other Changes
-  FY 2017 DOE Score Internal Calculation
-  FY 2017 Wesleyan Village Apartments Operating Budget
-  FY 2018 Unrestricted Operating Budget Final
-  Independence Bank Letter
-  NACUBO College Endowments Average
-  Physical Plant
-  Rogers Foundation Scholarship Program



3.4.1

Educational Programs: Academic program approval

The institution demonstrates that each educational program for which academic credit is awarded is approved by the faculty and the administration.

Judgment

☒ Compliance ☐ Partial Compliance ☐ Non-Compliance ☐ Not Applicable

Narrative

Off-Site Committee Finding

Non-Compliance

Relevant language from the College Bylaws and the Faculty Handbook describe the role of faculty in the approval of educational programs. Samples of proposals for new academic programs in Health Science and Music are also presented, as well as copies of faculty meeting minutes showing consideration and approval of the same.

While documentation provided indicate the role of faculty in the approval of new programs, no similar exhibits could be located that demonstrated the administration of the college engaged in substantive action regarding the consideration and adoption of academic programs.

Response

In response to the Off-Site Committee report, the approval process for and within academic programs has been clarified below to demonstrate the integral role of the academic administration in academic program approval. The clarifications do not represent a change in institutional processes, but articulate more clearly the role that the Vice President for Academic Affairs (VPAA) and Dean of the College has always played in academic program approval.

Regardless of the mode of delivery, academic programs at Kentucky Wesleyan College are approved by the faculty and the administration, with the Board of Trustees involved in significant changes in academic programs.

The faculty of Kentucky Wesleyan College is primarily responsible for the curriculum as noted in the College and Faculty By-Laws. The [College By-Laws, Article X](#) states, "Faculty in close collaboration with the President of the College and the Academic Dean, shall exercise control over curriculum and other basic issues, subject to review and approval of the Board". The [Faculty By-Laws, Section 1.1.1](#) states, that the "Faculty has primary responsibility for the content, quality,

and effectiveness of the curriculum and instruction.”

Proposals for new academic majors/programs emerge from strategic planning, faculty backgrounds and interest, demonstrated need within the region, etc. Typically, new programs are developed collaboratively between faculty in the disciplinary area(s) of the new program and the chair of the division within which the new program will reside.

The process for approval of a new major/program follows the steps listed below.

1. The process begins with the preparation of a [proposal](#) [1] to develop a new academic program.
2. The Division Chair must approve the proposal if he/she was not the originator.
3. The proposal is submitted to the VPAA and Dean of the College who [reviews the proposal](#) and decides whether it will be submitted to the Academic Policies (curriculum) Committee for review and consideration, returned to the proposer for revision, or not forwarded to the Academic Policies Committee. Components of the review at this level include mission compatibility, perceived need, cost, effectiveness, etc. If additional resources are required, the Vice President of Finance is consulted to tentatively approve the proposal going forward. The President must [approve the hiring for any position](#) [2] on campus.
4. The [Academic Policies Committee](#) thoroughly vets any course, program modifications, and/or new academic program that is presented to it for consideration. Review at this level includes examining opportunities for employment for graduates, program courses, learning outcomes, rationale for course level, assessment plan, staffing and/or other resources needed, impacts on other existing programs, etc. In order to determine the academic quality of the proposed program, the author of the proposal must demonstrate coherence and sequencing of courses, increasing complexity in course content and skills as students move through the major, linkages between and among other program components, appropriate rigor, and for new majors alignment with similar majors at other institutions in terms of total number of hours, sequencing, etc.

This committee is composed of faculty from all divisions of the College, the Registrar, the Associate Dean of the College and Director of Online and Adult Education, and the VPAA and Dean of the College. Therefore, the administration has another opportunity to weigh in on the decisions for curricular change.

When the Academic Policies Committee meets to consider proposals, the faculty member(s) who proposed the program is (are) invited to attend the meeting and present their case for the program to be added to the curriculum. This meeting provides an opportunity for the Academic Policies Committee members to seek clarification and ask questions. Any new courses that are a component of the new program must also be approved

during this process.

When discussion is ended, the proposer leaves and the committee members discuss the proposal. The Academic Policies Committee may [accept, modify, or reject the proposal](#) based on its relationship to the College mission, the ability of the College to fund the program, likelihood that it will attract students (perceived need), potential impact on existing programs, fit within the strategic initiatives of the College, opportunities for employment for graduates, etc.

5. Once the program is approved by the Academic Policies Committee, the proposal comes before the full faculty as a recommendation for approval. Faculty may seek clarification and/or ask questions of the program proposers and/or the Academic Policies Committee. The faculty may [approve](#) or deny approval of the proposal.

The process for approval of [major changes in curricula, additions of courses within a major](#) or [minor modifications of an existing major](#) (e.g., changing course description, pre-requisites, credit hours, course level) follows the same steps listed above.

Significant changes in the educational programs of the College are approved by the Board of Trustees upon recommendation of the President of the College. Examples of this level of approval would include the addition of programs which require significant additional funding to implement and the discontinuance of non-performing academic majors. For example, the [Board approved a four-year graduation guarantee](#) that would provide students with a fifth year of tuition if they did not graduate in four years. The Computer Information Systems (CIS) program was discontinued in 2014 (no new students were added effective fall term of that year; the remaining students either moved to the Management Information Systems major or completed the CIS major). The recommendation to discontinue the program [came from the faculty](#) to the Educational Policy Committee of the Board of Trustees and then to the [full Board for approval](#).

An example that highlights the collaborative nature of the program approval process occurred after the approval of the [Strategic Agenda 2010-2012](#). One of the goals was to create competitive, globally relevant programs in high-demand occupational areas. The Institutional Program Review Committee (IPROC), an ad hoc committee consisting of [16 representatives](#) of faculty, staff, administrators, students, and alumni, was charged to identify existing programs that could be reduced or eliminated and programs that should grow in order for the College to realize the strategic agenda goals. Programs were evaluated by relevance to the mission, quality, marketability, and revenue potential. The IPROC review identified the science programs as strengths for the institution and programs that had the capacity to grow. A new interdisciplinary major in [Health Sciences \[3\]](#) was proposed by faculty from the sciences, psychology, and physical education/exercise science. The VPAA was an integral component of this program proposal, as she is a professor in Biology. The purpose was to prepare students for entry into health related post graduate programs (e.g., Physical Therapy, Occupational Therapy, Nursing, Pharmacy, Medical Physics, Health Physics, Health

Psychology, Optometry). This interdisciplinary major was derived from existing courses at the College. Three new required externships (one credit hour each) were the only new courses needed to offer this new major; therefore, no new financial resources were needed. The Health Sciences major was approved by the Academic Policies Committee on 3/2/2010 and by the entire faculty on 3/11/2010.

Evidence of Compliance: The College has provided policy statements from the College By-Laws and Faculty Handbook that articulate the roles of faculty, administration, and Board in developing and approving curricular changes; an explanation of the processes followed for developing and approving academic programs; and minutes of meetings reflecting committee action, faculty action, and in the case of significant changes in the educational programming of the College, action by the Board of Trustees. Included in the narrative is information related to the participation of College administration in the program approval process.

[1] The template for the Proposal to Add a New Major was re-designed to include questions pertaining to learning outcomes, resources, assessment plans, benchmarking against other programs, etc. in 2013.

[2] A [form](#) for hiring is now required. Approvals required include the cabinet officer, VP Finance, and the President.

[3] The original template used for new program approval required information concerning relevance to the mission, staffing and facility needs, overlap with other programs, etc. This template was used for the Health Sciences degree in 2010. In 2013, the template for the Proposal to Add a New Major was redesigned to include questions pertaining to learning outcomes, resources, assessment plans, benchmarking against other programs, etc.

Sources

-  [Academic Policies Committee Minutes 9-25-15](#)
-  [Board of Trustees Minutes 2-8-13](#)
-  [Board of Trustees Minutes 6-10-14 CIS](#)
-  [By-Laws of Kentucky Wesleyan College, Amended and Restated 2016 \(Page 10\)](#)
-  [Faculty Handbook 2016 \(Page 11\)](#)
-  [Faculty Handbook 2016 \(Page 2\)](#)
-  [Faculty Meeting Minutes 3-11-10 Health Sciences](#)
-  [Faculty Meeting Minutes 3-19-14 CIS](#)
-  [Minor Modification Existing Program Physics](#)
-  [Position Request Form Redacted](#)
-  [Presidential Approval Music Faculty Redacted](#)
-  [PRO Committee Charge 2010](#)

-  Proposal Add Course ENGL 3342
-  Proposal Add Health Sciences 2010
-  Proposal Add New Academic Program BA Music 2014
-  Proposal for a New Academic Program
-  Proposal Major Modification Health Sciences
-  Strategic Agenda 2010-2012



3.7.1

Faculty: Faculty competence

The institution employs competent faculty members qualified to accomplish the mission and goals of the institution. When determining acceptable qualifications of its faculty, an institution gives primary consideration to the highest earned degree in the discipline. The institution also considers competence, effectiveness, and capacity, including, as appropriate, undergraduate and graduate degrees, related work experiences in the field, professional licensure and certifications, honors and awards, continuous documented excellence in teaching, or other demonstrated competencies and achievements that contribute to effective teaching and student learning outcomes. For all cases, the institution is responsible for justifying and documenting the qualifications of its faculty. (See the *Commission guidelines "Faculty Credentials."*)

Judgment

☒ Compliance ☐ Partial Compliance ☐ Non-Compliance ☐ Not Applicable

Narrative

Off-Site Committee Finding

Non-Compliance

An examination of the Faculty Credentials Table for AY 2015-16 provided by the institution indicates at least a dozen noted instances wherein the relationship between the academic credentials listed for faculty members and one or more courses they taught appeared to be nebulous. For example, a faculty member with the Master of Science in Sports Management Administration was assigned to teach Business and Professional Writing. Another related example involved a faculty member holding the Ph.D in Sports Ethics teaching Introduction to Philosophy.

In most of these cases, an examination of other supporting evidence such as additional certifications and relevant professional experiences focused on credentials in public schools K-12 or years of experience. See faculty listed on the *Request for Justifying and Documenting Qualifications of Faculty* at the end of this report.

Response

In response to the Off-Site Committee's concern that the relationship between several of the faculty credentials and teaching assignments appeared to be nebulous, corrections and/or more detailed justifications have been provided for the 15 faculty members identified from the 2016 data. Table 3.7.1 provides links to the faculty members' credentials.

Table 3.7.1: Faculty Credentials (Curriculum Vitae & Transcripts)

Adkin, Adam	Hansen, Christopher
Armstrong, Shane	Heck, Susan
Baker, Ryan	Howard, Sean
Belcher, Larry	Johnson, Kimberly
Conroy, William	McEnroe, Rhonda
Gardner, Roger	Sparks, Jillian
Garner, Jerry	Spivey, Christopher
Getz, Cynthia	

As noted in the original compliance document, Kentucky Wesleyan moved to Compliance Assist in 2016. Errors during the merging of the three files required to create the roster information in Compliance Assist resulted in some of these problems, while others were due to lack of a detailed justification. These have been addressed in the [Revised Faculty Roster](#). Please note that the following faculty member's courses did not match what they actually teach: A. Akin, R. Gardner, and J. Garner. Degrees were either missing or mismatched for the following individuals: S. Armstrong, J. Garner, and C. Getz, while all others required a more detailed justification.

Kentucky Wesleyan College seeks to hire faculty who are excellent teachers, show potential for scholarly research and professional activity, and support the values of the college. As noted in the [Faculty Handbook, Section 1.2.6](#), "Kentucky Wesleyan College values and subscribes to the concept of tenure as that concept has evolved and is maintained within the academic profession." Non-tenure track appointments do occur, however. Most (86%) full-time teaching faculty positions at Kentucky Wesleyan are [tenured or tenure-track](#) as of fall 2016.

Credentials: All faculty members, regardless of full- or part-time status, are evaluated for qualifications and credentials on an ongoing basis with primary consideration given to the highest earned degree. This is done first at the time of hire, then whenever job duties, curricular content, or program needs shift. In addition, the master faculty roster is updated each semester, thereby engaging in a continual process of evaluation of faculty credentials (see below). The Vice President for Academic Affairs and Dean of the College and the Associate Dean of the College and Director of Adult and Online Education assume responsibility for ensuring that faculty members have the appropriate qualifications to teach the courses they are assigned. The [Personnel Appointment Policy](#) describes the process and qualifications needed for hiring faculty. As noted in this policy:

"Faculty employment is governed by accreditation standards established by the Southern Association of Colleges & Schools Commission on Colleges (SACSCOC). Therefore, in order to comply with these standards, faculty and staff teaching undergraduate-level courses as the instructor of record, either full-time or part-time and regardless of the mode of delivery, must hold a:

- terminal degree (e.g., a Ph.D., D. Min, J.D., MFA) with a concentration in the teaching discipline OR
- hold a masters' degree and have completed at least 18 graduate credit hours in the discipline OR
- have completed 18 graduate hours in the discipline OR
- in limited circumstances, individuals may have special skills or experiences that qualify them to teach in a discipline without meeting the above standards. For example, an individual who has performed professionally for an extended period may be justified to teach applied music courses or acting, even though they do not hold a graduate degree or do not meet the 18 graduate hours in the discipline requirement and may be eligible for appointment. These 'professional qualifications' must be determined and documented before any appointment can be made."

Kentucky Wesleyan College places high value on real-world experience. For example, most programs strongly encourage juniors and seniors to participate in an internship or practicum. Most programs ensure that their graduates learn from faculty who have significant professional experience in the area. Often this is accomplished by hiring adjunct faculty. Some of these instructors hold a terminal degree, some hold appropriate master's degrees, and some have extensive job experience. In these latter cases, the roster provides an explanation. For example, in 2015 an applied music brass adjunct had a bachelor's degree in music, but had 15 years professional experience as a performing artist in multiple venues and with multiple ensembles, the most notable includes performances in Carnegie Hall and with the Louisville and Owensboro Symphony Orchestras. He has taught applied music lessons in trumpet. If the case is obvious, the roster will simply list the job experience. In cases that are more complicated, a justification is also provided.

The Office of Academic Affairs maintains and routinely updates files on each faculty member, documenting each faculty member's qualifications. The typical file includes: C.V. or resume, graduate transcripts, justification forms (if required), appointment letter, other correspondence, and materials relating to promotion and tenure reviews. These files are located in the Office of the Vice President for Academic Affairs. As qualifications change, the master faculty roster changes.

Similar files are kept for adjunct instructors who are reviewed on a semester-by-semester basis. In addition to course evaluations submitted by students for all courses, program coordinators that employ part-time instructors visit their classrooms and fill out a [Classroom Observation of Teaching form](#), which is placed in the instructor's file. Likewise, for online instructors, the Associate Dean of the College and Director of Adult and Online Education completes an [Online Classroom Observation form](#), which is placed in the instructor's file.

Although not an official part of the General Education Program, [KW 101](#), an orientation course, is required of all freshmen. Faculty and staff are invited to [apply](#) to teach the course and work with students throughout the first term. There is no relevant discipline associated with this course; however, at least a master's degree (in any area) is required, as is a substantial familiarity with liberal arts

education, knowledge of student support systems, and a commitment to holistic student development. Instructors also commit to attend [training](#) to prepare them to teach this course, as well as to be present during the summer advising sessions.

Evidence of Compliance: The College has provided evidence that it employs competent faculty members by providing documents related to requirements for faculty employment, credentials file, and justifications for exceptions to terminal degrees as appropriate. In addition, faculty credentials have been corrected and/or additional justifications provided for the 15 faculty whose relationship between credentials and courses taught was unclear.

Sources

 CVs and Transcripts	
 Adkin Adam	
 Armstrong Shane	
 Baker Ryan	
 Belcher Larry	
 Conroy Bill	
 Gardner Roger	
 Garner Jerry	
 Getz Cynthia	
 Hansen Christopher	
 Heck Susan	
 Howard Sean	
 Johnson Kimberly	
 McEnroe Rhonda	
 Sparks Jillian	
 Spivey Christopher	
 Adjunct Classroom Observation Online Redacted	
 Adjunct Classroom Observation Residential Redacted	
 Faculty Handbook 2016 (Page 21)	
 Faculty Status AY 2016-17	
 KW 101 Instructor Application Redacted	
 KW 101 Instructor Training 2016	
 KW 101 Syllabus Fall 2016	
 Personnel Appointment Policy 2016	
 Revised Faculty Roster	

3.8.3

Library and Other Learning Resources: Qualified staff

The institution provides a sufficient number of qualified staff - with appropriate education or experiences in library and/or other learning/information resource - to accomplish the mission of the institution.

Judgment

☒ Compliance ☐ Partial Compliance ☐ Non-Compliance ☐ Not Applicable

Narrative

Off-Site Committee Finding

Non-Compliance

Kentucky Wesleyan College states expected credentials and skills for the institution's three professional librarians and for the Dean for Student Success, and provides job descriptions to document these expectations. Kentucky Wesleyan uses narrative summary and CVs to demonstrate that the four individuals in these professional roles are amply qualified for their positions. While the institution states the skills and credentials expected of library support staff through job descriptions, it gives no information on individuals filling these positions or their qualifications. The narrative mentions a full time support staff position for the Student Success Center, but gives no information about that job or the individual doing it. Information on support staff is needed to demonstrate that the institution is providing qualified staff in all positions. The narrative describes a sufficient number of staff to meet the stated mission of the Howard Greenwell Library and the Student Success Center. Information on staffing for the Center for Engaged Teaching and Learning would be an appropriate addition to this standard.

Response

Kentucky Wesleyan College employs a sufficient number of well-qualified administrative and support staff in the Howard Greenwell Library, Student Success Center and Center for Engaged Teaching and Learning to support the mission of the institution. Additional information about these individuals and their positions is provided below. The position titles are linked to job descriptions and the names of individuals are linked to their resumes.

Howard Greenwell Library

In addition to the professional positions of [Director of Library and Academic Information Services \(Pat McFarling\)](#), [Information Services Librarian \(Deborah Russell\)](#), and [Access Services Librarian \(Naomi Golovin\)](#), Howard Greenwell Library

has one full-time and four part-time support staff positions. These positions include [Administrative Assistant \(Rhonda Sartain\)](#), [Archivist/Bibliographer \(Richard Weiss\)](#), [Technical Services Assistant \(D Ellen Basham\)](#) and two [Evening Supervisors \(Martha Bryant and Faye Gray\)](#).

All Library staff members participate in the College's system of employee evaluation. Participation in professional development activities is encouraged for both professional and support staff.

Student Success Center

The staff of Kentucky Wesleyan College’s new Student Success Center is well-qualified to provide academic support resources and programs. The [Dean for Student Success](#), a position held by [Shane Armstrong](#), administers the Center and reports to the Vice President for Academic Affairs and Dean of the College. In addition, the Student Success Center staff includes the full-time support position of [Administrative Assistant](#), held by [Tonya Johnson](#).

Center for Engaged Teaching and Learning

The staff of the Center for Engaged Teaching and Learning (CETL) is well-qualified to assist faculty with resources and services to improve teaching. The CETL staff also works with students to identify and apply for internships, service learning experiences, fellowships and study abroad opportunities. The staff includes two full-time administrative positions and one full-time support position. The position of [Director of the Center for Engaged Teaching and Learning](#) is held by [Christine Salmon](#). The [Associate Director of the Center for Engaged Teaching and Learning](#) is [Jay Helmer](#). The support staff position of [Program Assistant](#) is held by [Tony Hardesty](#).

Evidence of Compliance: An analysis of the position descriptions and resumes of staff members filling those positions demonstrate that these individuals are qualified to work within their areas to accomplish the mission of the College.

Sources

 Access Services Librarian	▲▼
 Archivist and Bibliographer	▲▼
 Armstrong Resume	▲▼
 Basham Resume	▲▼
 Bryant Resume	▲▼
 CETL Associate Director	▲▼
 CETL Director	▲▼
 CETL Program Assistant	▲▼
 Dean for Student Success	▲▼

-  Director of Library and Academic Information Services
-  Golovin Resume
-  Gray Resume
-  Hardesty Resume
-  Helmer Resume
-  Information Services Librarian
-  Johnson Resume
-  Library Administrative Assistant
-  Library Evening Supervisor
-  Library Technical Services Assistant
-  McFarling Resume
-  Russell Resume
-  Salmon Resume
-  Sartain Resume
-  SCC Administrative Assistant
-  Weiss Resume



3.9.2

Student Affairs and Services: Student records

The institution protects the security, confidentiality, and integrity of student records and maintains security measures to protect and back up data.

Judgment

☒ Compliance ☐ Partial Compliance ☐ Non-Compliance ☐ Not Applicable

Narrative

Off-Site Committee Finding

Non-Compliance

The institution publishes a Student Information Privacy Policy that details the policies and procedures for the protection of student records and personally identifiable information. Annual notification to students regarding all FERPA laws is provided in the Academic Bulletin and the Intranet. FERPA regulations are reviewed with all new traditional students and parents. Online students receive a letter with various policy information, as well as the information provided in the Online Education Handbook. The registrar's office serves as the official record-keeper for educational records, although other offices on campus also store records (e.g. admissions, financial aid, career services, etc.). The institution's confidentiality statement contained in the Employee Handbook requires employees to only access information necessary for their job roles. Data integrity is controlled by electronic level of access within the campus system, noted as "write" access in the narrative. Signed statements are completed by employees to ensure they understand all institutional policies.

In general, offices secure paper files via locked filing cabinets/vaults, while electronic files are stored in a computer system and only accessible via passwords. Specific offices noted in the narrative that store student files include discipline, student accounts, disability, health, housing, career, alumni, student payroll, controller/cashier's office, admissions, financial aid, and athletics. The Records Retention Policy and retention schedule address record types and when those files are disposed.

The campus system contains all electronic files since 1999. Paper files are presently being converted into electronic files, and files before 1999 are stored in a fire-proof vault in the registrar's office. The narrative states: "Non-transcript records such as active and inactive student files, are stored in locked cabinets in the Registrar's office." Because the compliance report did not explain the documentation included in these files, a determination could not be made as to whether or not locked cabinets are sufficient for storage. Other information (e.g. coursework, unofficial attendance/grades, etc.) may be stored in the Learning

Management System (LMS). These data are accessible via password-protected logins in accordance with the guidelines established by the Information Services and Resources unit.

All server systems are managed by the Information Services and Resources department. Backup for all electronic system data is done in three ways: (a) daily, (b) in another location on campus, and (c) on Monday and Thursday via external hard drive stored in the institution's vault. An external party provides off-site storage and recovery services in the event of a disaster. Should a data-related concern arise, Information Services and Resources utilizes a thorough process to access the potential damage and implement new procedures if needed.

Response

Kentucky Wesleyan protects the security, confidentiality, and integrity of its student records and maintains security measures to protect and back up data. In compliance with the Family Educational Rights and Privacy Act of 1974 (FERPA) and its amendments, Kentucky Wesleyan's [Student Information Privacy Policy](#) establishes protections and limits on the release of educational records and personally identifiable data. Student records with confidential information are found in various offices on the campus, e.g., Registrar, Financial Aid, Admissions, Business Office (see below), although the Registrar's office is the primary repository of student records. Offices maintain [confidentiality](#) and protect student records in accordance with applicable federal mandates and have established office procedures to ensure the records' safeguarding. Physical security of paper student records is enhanced by storing them in locked vaults or locked cabinets within secure offices. Passwords are required for electronic access of data, which time out after five minutes of inactivity. Procedures for employee termination or relocation include recovery of keys and disabling or changing passwords. Kentucky Wesleyan's [Records Retention Policy](#) describes the types of records, responsibilities of staff in maintaining/destroying records, policy suspensions, security measures, methods of disposal, and other procedures.

The Off-Site Committee found that insufficient information was provided concerning the contents of active and inactive student files located in the Registrar's office and that a determination could not be made as to whether or not locked cabinets are sufficient for storage. In response to this concern, a more detailed description of the contents of these files and storage conditions for these materials is provided.

Academic Records: The College adheres to American Association of Collegiate Registrars and Admissions Officers (AACRAO) Retention of Records guidelines for record storage and disposal. All transcript records are protected from fire or flood regardless of their format, physical or electronic. Those available in paper form only, are progressively being converted to an electronic format. CAMS, the College's enterprise resource system (ERP) contains all academic records from 1999 to present and provides appropriate electronic security. Academic records from before 1999 are in paper form and stored in the Registrar's office in the

College's fire-proof vault. Transcript paper and diplomas are stored in the vault when not in use.

Active and inactive student physical files are stored in fireproof cabinets in the Registrar's office. These cabinets are equipped with an external locking bar and padlock that requires a key to open. The files are unlocked in the morning and locked at the close of business each day. The padlock keys are stored in a fireproof vault which is locked at the close of business each day.

These files originate in the Admissions Office and contain each students' admission application and other official documents collected during the admission process, including high school and/or previous college transcripts, ACT/SAT/AP/IB records, and FERPA forms. Documents added to these files may include: Change of Major forms; Change of Academic Bulletin form; Transient Student form; Grade Change form; Requests for an Incomplete Grade form; Directed/Independent Study and/or Internship application; drop/add forms, degree audits, etc.

Once a student becomes inactive through withdrawal, the faculty advisor's file is added (see Academic Advising Information below). While this type of information is not irreplaceable or absolutely necessary for ongoing operation, its loss would be inconvenient and would require that it be recreated from existing information sources. Student files are maintained for seven years. After that time, the files are shredded.

Academic Advising Information: Academic advising files of active students reside in the offices of academic advisors. These paper files include a variety of student information including high school and college transcripts, copies of ACT/SAT test scores, notes from personal conversations, etc. Files are stored in locked file cabinets along with examinations, and other confidential information in secured faculty offices. Advisors also have electronic access to their student advisee data, e.g., degree audits, personal contact information, and transcripts. This electronic access is password protected. The College is transitioning to electronic access by 2018 of all student information materials through its new ERP system.

Evidence of Evidence of Compliance: The College has provided further explanation concerning the materials contained within the active and inactive files in the Registrar's Office and documents that demonstrate that it protects the security, confidentiality, and integrity of its student records.

Sources

 [Employee Handbook 2016 \(Page 12\)](#)

 [Records Retention Policy](#)

 [Student Information Privacy Policy](#)

3.9.3

Student Affairs and Services: Qualified staff

The institution provides a sufficient number of qualified staff - with appropriate education or experience in the student affairs area - to accomplish the mission of the institution.

Judgment

☒ Compliance ☐ Partial Compliance ☐ Non-Compliance ☐ Not Applicable

Narrative

Off-Site Committee Finding

Non-Compliance

The narrative identifies student life leadership positions directly related to fostering student development, spirituality, health, and learning – essential elements of the mission of the institution. While the majority of those positions report to the student services department, a few of them serve in various capacities throughout the organization (e.g., Director of Campus Ministries, Director of Campus Recreation). Position descriptions were provided for the all of the positions listed in the narrative except for the Administrative Assistant for Student Services. Resumes were provided for all positions except for the Director of Campus Recreation. Professional development is regularly completed by the employees within the current positions. A review of the submitted resumes and job descriptions confirm qualified education and previous experiences for the requirements of each role. However, the narrative did not address how the institution ensures there is sufficient staff to serve students in the student services area.

Response

Kentucky Wesleyan College has qualified staff in Student Life roles throughout the institution. These staff members have the experience and competence to offer programs and provide services supporting the mission of the College and the development of students. The narrative that follows is in response to the Off-Site Committee's concerns and shows that Kentucky Wesleyan employs sufficient staff to ensure students are served. In addition, information is provided concerning the qualifications of the Administrative Assistant and Director of Campus Recreation.

Definition and Appointment of Student Life Staff

Kentucky Wesleyan defines Student Life staff as those whose positions require them to assume a key leadership role in developing student programs that will

nourish students, promote student development and learning, and provide services that help students remain in good health. The job descriptions and resumes found below are linked to the positions and individuals occupying those positions.

At Kentucky Wesleyan College, the student experience outside of the classroom is aimed at creating a seamless learning environment on campus. There are several Student Life leadership positions directly related to fostering the intellectual, physical, emotional, and spiritual development of students. The majority of those positions report to the Student Services unit, and are involved in the day to day development and implementation of Student Services programming. Others serve in various capacities throughout the organization (e.g. Director of Campus Ministries, Director of Career Development, Director of Athletics) and provide additional programming to meet students' needs.

The mission of the Office of Student Services is to "provide experiences that will allow students to live, learn, lead, and love, empowering them to become global citizens ready to positively impact the world."

Administrative Assistant for Student Services: The Administrative Assistant serves as the greeter and face of Student Services. The person in this position is responsible for administrative tasks, event planning for several campus events, communication with students and parents, and several publications produced by the office.

Jan Goldman, Administrative Assistant for Student Services

- B.A. in English/Language Arts and Political Science from Virginia Tech
- One year as Administrative Assistant at Kentucky Wesleyan College
- Eight years prior experience in administrative roles with non-profit organizations
- Sixteen years prior experience with students as a certified teacher

Director of Campus Recreation: Historically, the head baseball coach served as the Director of Campus Recreation and Intramurals, a position which dates back to the early 1980's. This model continued through the summer of 2008, when the baseball coach agreed to form a JV baseball team, thus increasing his squad size and no longer permitting enough time to serve in both capacities.

At that time, the softball coach was a part-time position. To elevate this position to full-time status, we added the campus recreation and intramural duties, which continued until the fall 2015 semester when the NCAA passed legislation, prohibiting a full-time women's coach to serve in another capacity.

During the 2015-16 academic year, a resident director served in this capacity. During the 2016-17 academic year, the Vice President of Executive Initiatives and Retention managed the intramurals program. Beginning in May 2017, the position of Director of Campus Recreation was eliminated. Campus recreation and intramurals will continue to be managed by the Vice President of Executive Initiatives and Retention who will supervise an undergraduate student intern who

will plan and implement intramural activities each semester.

[Scott Kramer](#), Vice President of Executive Initiatives & Retention (Director of Campus Recreation)

- M.A. in Student Personnel Services from Western Kentucky University
- Seven years as Vice President of Student Services and Dean of Students at Kentucky Wesleyan College
- Eleven years as the Dean of Student Life at Kentucky Wesleyan
- Eight years as the Registrar at Kentucky Wesleyan
- One year as an Associate Director of Admissions, one year as an Assistant Director of Admissions, and two years as an Admissions Counselor at Kentucky Wesleyan

Sufficient Staff to Ensure Students are Served

The Director of Residence Life is responsible for the overall administration of all functions of residence life for the 385 campus residents in five residence halls. The Director supervises five Residence Directors and 20 Resident Assistants (RA's). Residence Directors are part-time employees with bachelor's degrees who supervise the RA's in their buildings, manage facilities concerns, oversee building programming, and serve as on-call responders throughout the academic year (position description and resumes attached). The Resident Assistants are undergraduate students who serve as role models, community builders, and policy enforcers on their residence hall floor. In 2016-17, each Resident Assistant was required to complete the FLIGHT programming requirements ([RA Programming Model](#)). Each Resident Assistant was, at minimum, to plan at least one program for their floor, one building-wide program, one educational program, one academic support activity, one wellness activity, one activity focused on the freshman reading book, and a floor meeting. With 23 RAs in 2016-17, the programming resulted in a minimum of 143 unique residence hall programs.

The Director of Student Involvement advises the Student Activity Programming Board (SAPB), oversees the planning and implementation of student activities throughout the academic year, and manages all student organizations and advisors. The Director of Student Involvement works with student organizations (25 active organizations), campus offices and departments, and contracted vendors to provide student activities and programs that foster the social, cultural, and intellectual development of students. The Director of Student Involvement also serves as the advisor of Greek Life on the Kentucky Wesleyan campus. There are five national Greek organizations and one local sorority on campus. The Director works with the national offices, Panhellenic Council, Interfraternity Council, and chapter advisors to manage recruitment, new member education, social and educational programming, and all aspects of Greek Life. The Director of Student Involvement also serves as the advisor to the Commuter Student Organization, which held monthly meetings, had several potlucks, and completed a community service project for needy families. In 2016-17, 59 [SAPB events](#) were offered with an average [event attendance](#) of 32.3 students per event. This is an increase of 23% from 2015-16. Sorority membership in spring 2017 was 11%

higher than spring 2016. Fraternity membership in spring 2017 was 16% higher than spring 2016.

During the 2016-17 academic year, campus recreation events included a corn-hole tournament (20 students), a men's basketball league (72 students), and a men's basketball tournament (72 students). Several other events were planned but were cancelled due to lack of participation.

Established in 2014 from a grant from the James Graham Brown Foundation, the Sophomore Year Program focuses on beating the "sophomore slump" that leads to drop-out. The program is aligned around the tag line of "Learn More, Lead More, Be More, Sophomore." Programming develops leadership, helps students align academic and career goals, provides social and civic engagement opportunities, and culminates with an opportunity to earn a Find Yourself Grant that is applied to third year tuition, enabling them to complete an internship, study abroad, participate in undergraduate research, etc. instead of working to pay tuition. This program is directed by the Associate Dean of Student Services [1]. In 2016-17, the [Sophomore Year Program](#) held a summit, social events, a career lunch series, service activities and trip, and Featured Faculty Fridays. Students who completed all aspects of the program were eligible to apply for a grant. A total of 24 Find Yourself Grants were awarded.

Career Development: The Office of Career Development focuses on helping students prepare for life after Kentucky Wesleyan and promotes and encourages civic responsibility and lifelong civic engagement. It provides career information and helps students develop skills necessary for becoming more marketable and finding satisfying employment in the global job market. Also, it helps students make the transition from the classroom to job search and/or graduate school. Workshops on Resume Writing, The Cover Letter, Online Image, and The Career Planning Process are a few examples of the assistance available to students. These workshops are conducted within a class at the request of faculty who work with the director to choose the appropriate topic for their students. For example, a freshman level class may be introduced to The Career Planning Process, a sophomore level class may focus on Internships, a junior level class may work on Resume Writing, and a senior level class may participate in the "I Have the Interview: Now What?" interactive workshop. This office also sponsors several on-campus events designed primarily for upper level students entering the job market (e.g., Business Etiquette Dinner, Speed Mock Interviews and Networking Event, and the Career Fair).

Table 3.9.3 provides information on the major events and workshops offered during the most recent year. In addition, 348 office visits from 322 students and 26 alumni seeking assistance related to careers and/or job placements were handled. Distance education students typically do not participate in the on-campus events; however, they do have access to career placement services.

Table 3.9.3: Career Center Services Provided during AY 2015-16

Business Etiquette Dinner	Speed Mock Interviews and Networking Event	Graduate School, Study Abroad, Internship & Career Fairs	Class/Greek/Special Workshops
37 senior attendees	62 senior attendees	168 attendees • 1 alumni • 49 seniors • 43 juniors • 49 sophomores • 26 freshmen	26 workshops encompassing 408 students - 297 individual students freshman through senior level

Campus Ministries: An important focus of Kentucky Wesleyan's mission is to assist students in their spiritual development. Campus Ministries exists to serve, love, and build relationships of eternal value on our campus. Our mission is to "walk" as Jesus would walk on our campus – 1 John 2:6 "The one who says he remains in Him should walk just as He walked." Jesus Christ modeled servant leadership, sacrificial love for everyone, and a focus on relationships.

Campus Ministries provides opportunities for students and staff to worship, serve, and grow in their Christian faith through chapel services, prayer times, sharing our faith within groups, service projects, trips, and experiences both locally, regionally, domestically and internationally. Campus Ministries actively serves in all aspects of campus life and has programming and resources to serve residential, commuter, and online students.

Through Campus Ministries, students have an opportunity to receive training in servant leadership and ministry communication, worship, administration, and service via ministry internships and the Mile 2 Leadership Team. Listed below are some of campus ministries programming and activities:

- **Chapel @12:12pm** - Weekly service on Wednesdays involving prayer, worship, and devotional teaching.
- **Stories** - Weekly service on Wednesday nights focused on students sharing their "story" of life and faith...also involves worship and prayer.
- **The GAP** - Bi-monthly service on Monday nights focused entirely on prayer... individual time of prayer and meditation, as well as small group and corporate prayer opportunities.
- **Wesleyan FCA** - Bi-monthly event on Monday nights for all students led by student leaders to create community...games, discussion, music, & devotion.
- **The Link** - First Thursday of each month at 12PM programming for female students only...food, encouragement, guest speaker, and prayer.
- **Man Up** - First Thursday of each month at 12PM programming for male students only...food, encouragement, guest speaker, and prayer.
- **First Tuesday** - Monthly meeting for all students on the first Tuesday night of each month sponsored by the Daviess/McLean Baptist Association...food, activities, devotion, and prayer.
- **Online Prayer Request** - Online resource for faculty, staff, and all students

to submit prayer concerns and requests via webpage.

- **Online FCA Daily Impact Play of the Day** - Online daily devotional resource from the Fellowship of Christian Athletes via webpage link and email.
- **Online Daily Devotional Blog** - Online daily devotional blog resource from Tony Evans and the Urban Alternative via webpage link.

Social media sites (Instagram and Twitter) also offer connections to Campus Ministries. The Office of Campus Ministries also serves as a liaison between denominationally affiliated ministries and the College.

Additionally, the College fields 17 NCAA Division II athletic teams. Approximately 50% of the student body are student-athletes.

Evidence of Compliance: An analysis of the position descriptions and resumes of staff members whose positions require them to assume leadership roles in developing programs that will nourish students, promote student development and learning, and provide services that will help students remain in good health, demonstrates that these individuals have the experience, competence, and capacity to serve Kentucky Wesleyan students. The College provided evidence that the staff is sufficient to serve students by documenting programming.

[1] The Associate Dean became the Dean of Student Services on June 1, 2017.

Sources

	Administrative Assistant Student Life	▲
	Director of Campus Recreation	▼
	Event Attendance Tracking 2016-17	▲
	Goldman Resume	▼
	Kramer Resume	▲
	RA Programming Model	▼
	SAPB Events 2016-17	▲
	Sophomore Year Experience Event Schedule 2016	▼

3.10.1

Financial Resources: Financial stability

The institution's recent financial history demonstrates financial stability.

Judgment

☒ Compliance ☐ Partial Compliance ☐ Non-Compliance ☐ Not Applicable

Narrative

Off-Site Committee Finding

Non-Compliance

Over the past five years the institution's enrollment of full time students decrease from 665 to 581 and total credit hours of production decrease from 10,441 to 8,827. For same time period, they are supporting an on-line program that has experienced growth. In 2011, they had 8 students online with 78 credit hours produced. In 2015, they had 22 students producing 207 credit hours. Over that same period the net tuition and fees has been relatively flat at \$7.2 million with increase in the 2016 year to \$7.8 million. Over the past three years, the net auxiliary income has been negative (loss) meaning the auxiliary operations are not breaking even. It should be noted also over the past three years, the loss has been reduced from \$800,932 to \$298,772. The unrestricted expenditures are increasing at a faster pace than revenue increases. Over the past four years, the change in unrestricted net assets has seen two years of significant declines over \$1.4 million, while the two years of positive change have been less impactful at around \$500,000.

The institution provided operating financial ratios for five fiscal years. Over those years, they have not shown adequate financial performance. For example; the primary reserve ratio is negative every year. The net income ratio is negative all but fiscal year 2015. The return on net assets ratio is negative 3 out of 5 years. The viability ratio is negative all five years and the debt burden ratio is positive the reported year; however, they are well below the target ratio. The composite financial index measuring overall financial health is negative all five years.

At least for the past four fiscal years, the institution has been borrowing from its endowment fund. In fiscal year 2014 they had borrowed \$3.6 million and as of 2017 they still owe \$3.2 million. It is not planned to pay off the loan to the endowment until fiscal year 2021. The borrowing from the endowment was to reduce the bank operating line of credit utilization. This coupled with a spending policy of 6% makes the endowment stressed to perform in the current financial markets.

Response

Kentucky Wesleyan's recent financial history demonstrates financial stability. The Board of Trustees secured President Barton Darrell to assume the leadership of Kentucky Wesleyan College in September 2015. The Board and new President identified strategies and implemented initiatives to improve the functions generating fiscal resources for the college, primarily Admissions and Advancement. Experienced vice presidents in these two areas were then secured along with the appropriate staff, program funds and plans to update operating strategies, formulate unit goals and implement measures of accountability. These changes empowered the entire campus community to work together to achieve operating goals, including the [recent enrollment and retention](#) increases. Student success initiatives included: the creation of a new academic support unit, the Student Success Center, headed by an experienced Dean of Student Success; a new Athletic Director; reorganization of the Student Life unit; and the addition of a Vice President of Executive Initiatives and Retention. These initiatives have improved student academic success, co-curricular experiences, and retention.

Faculty vacancies are carefully analyzed and filled with person's qualified in their academic field as well as their commitment to overall student success. The appointment of a new Campus Minister and revised student centered programming has allowed the college to reconnect in a much stronger way with students and the United Methodist Church. The church relationship is critical to the mission focus and provides fiscal benefits via student recruiting, programming, and fund raising opportunities. Enrollment and retention results have improved and future growth and increasing fiscal stability is an on-going priority for the new leadership team. Please refer to [CR 2.11.1 Financial Resources and Stability](#) for additional information.

Enrollment and Retention

Kentucky Wesleyan has experienced an increase of 10.5 % in fall student enrollment (FT) over the fall FY 2013-2017 time period and a 18% increase in the [freshman cohort size](#) over the past five years, even as admissions standards increased. These enrollment increases indicate initial success in strategic efforts to reverse enrollment decline through changes in admissions procedures and policies, enhanced marketing, strengthening academic support services, improving on-going retention efforts, and improving co-curricular experiences.

Additionally, strengthening student academic support services has yielded improvements in [first year retention rates](#) (54% for the 2011 cohort to 67% for the 2015 cohort and 68% for the 2016 cohort). Other efforts underway to improve retention have yielded positive benefits as overall retention has also increased over the past two years (74% in FY 2017). Please refer to [CR 2.11.1 Financial Resources and Stability](#) for additional details.

Audited Fiscal Operations

Audited fiscal operations demonstrate recent fiscal stability derived from increasing enrollment, appropriate tuition discounting, successful fundraising and strategic expenditure allocation. The College's annual audited fiscal operations reflect an increase of \$5,271,831 or 13.9% in net assets during FY 2014 – FY 2017. The strongest performance was in the most recent FY 2017 which exhibits an increase of \$2,956,896 in net assets. Creative initiatives and partnerships (e.g., [shared track use](#), YMCA partnership), moderating operating expenditures, along with internal allocations and control of [department funds](#) also signify fiscal accountability and stability. To supplement the audit reports, extensive and comprehensive analysis of the College's fiscal activities in the annual [Financial Trends and Comparative Data](#) and [Ratio Analysis](#) reports is provided for internal planning and reporting to the Board of Trustees.

Management letter findings included with the College audit reports are noted in [Table 3.10.1-1](#). Please refer to [CR 2.11.1 Financial Resources and Stability](#) for detailed audit information. **No Material Weaknesses are reported in FY 2016 or FY 2017.**

The College has maintained minimal staffing in the Finance and Financial Aid administrative areas in recent years to save operating costs. Extensive cross training is required with the small number of staff to accommodate excellent customer service and completion of administrative tasks in a timely manner, but challenges in completing all tasks as prescribed have occurred. Additionally, the college has incurred significant turnover in several key positions (Controller, Staff Accountant, Director of Financial Aid and Registrar) in the past three recent years. The lack of higher education experience and staff continuity, along with the extensive time commitment of planning, implementing, de-bugging and creating new procedures for the new integrated campus information system led to more findings.

Each audit finding is reviewed with the responsible staff to clarify responsibilities, including the importance of accuracy and timely completion of these crucial tasks, and additional professional training was completed as needed. A few of the findings are repeated in a subsequent year due to staff turnover, but most are new items each year that can be reviewed and discussed. Cross checking of these responsibilities is also assigned to other staff to assist in the compliance programs. The Internal Audit function can be utilized to verify critical compliance tasks beginning in Fall of 2017 and will provide another layer of timely compliance and verification for these identified weaknesses.

The new software system implemented in March 2016 allows individual security and task assignments with additional internal control opportunities. These new measures along with detailed responses to prior findings will allow the college to meet compliance regulations more effectively going forward. It should be noted that the College has never incurred a financial loss or liability from inappropriate or delayed staff tasks in any fiscal activity of the college.

Unrestricted Net Assets

The total annual change in unrestricted net assets for FY 2014 through FY 2017 is reflected in Figure 3.10.1-1.

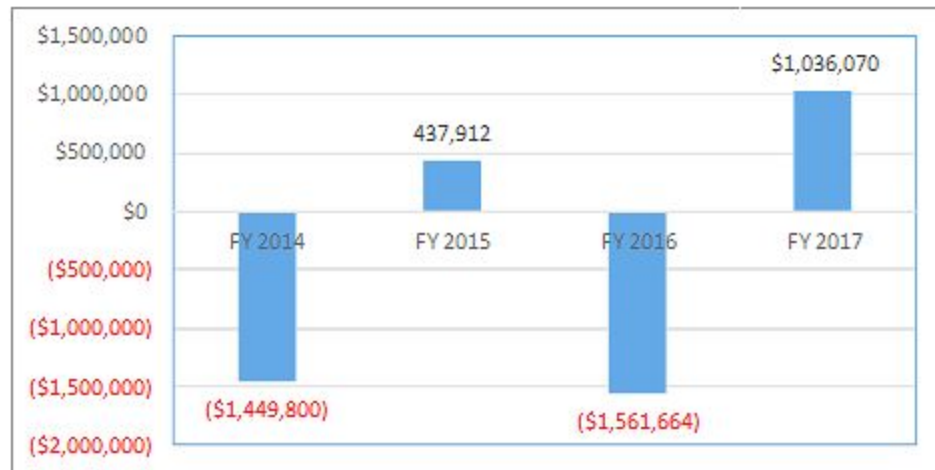


Figure 3.10.1-1: Total Change in Unrestricted Net Assets for FY 2014 – FY 2017

This change in unrestricted funds benchmark is used to assess overall fiscal operating health of the institution, but some years includes items that are not a direct result of operational activities, such as investment gains and losses in endowment funds (negative (\$2,082,242) in FY 2016). The non-operating items forced the change to a negative amount in FY 2016. Excluding the FY 2016 non-operating item of unrealized loss in endowment fund (\$2,082,242), the total annual change in unrestricted net assets was a positive change of \$520,578 (23.8%) in that year.

[NACUBO reported](#) a 1.9% endowment market value loss by all colleges and institutions in FY 2016, so the college endowment portfolio was following trends of the investment market.

While the endowment market value loss is fiscal activity to monitor, the unrealized endowment market value is not a true operating loss. New accounting regulations scheduled for implementation in FY 2018 and beyond will not record unrealized endowment market value losses of permanently restricted endowment funds against unrestricted funds as this does not truly reflect unrestricted operating results as managed and conducted within the college.

A better assessment of fiscal operating stability can be ascertained by analyzing the annual change in Unrestricted Net Assets, **excluding non-operating items noted in Other Changes in Net Assets**, (Figure 3.10.1-2). These annual results indicate an operating increase of \$957,815 in FY 2017, decrease of (\$12,800) in FY 2016, increase of \$395,182 in FY 2015 and decrease of (\$1,573,967) in FY 2014. This positive growth trend in the annual unrestricted net asset change from operations is reflective of true operating results of strengthening financial performance under direct control of the college administration. Strategic plans and goals along with the operating influence of a change in presidential leadership,

strategy, and management are providing recent stability.

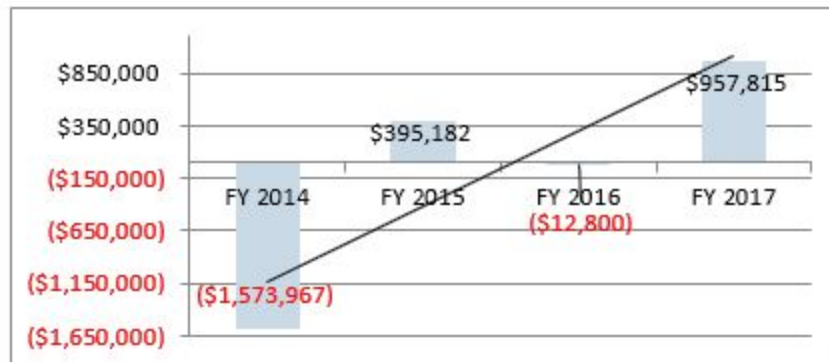


Figure 3.10.1-2: Total Change in Unrestricted Net Assets Change Excluding Non-Operating Activities FY 2014 – FY 2017

Permanently Restricted Funds

Permanently restricted funds have increased from \$31,371,641 in FY 2014 to \$36,455,362 (16.2%) over the past four years (Figure 3.10.1-3). Fiscal stability is indicated by the securing of additional endowed funds that generate earnings to support operating functions and provide program budget enhancements. The FY 2016 Permanently Restricted Fund total of \$36,104,960 reflected a slight decrease due to changes in the market value of trusts, bequests, and fund releases.

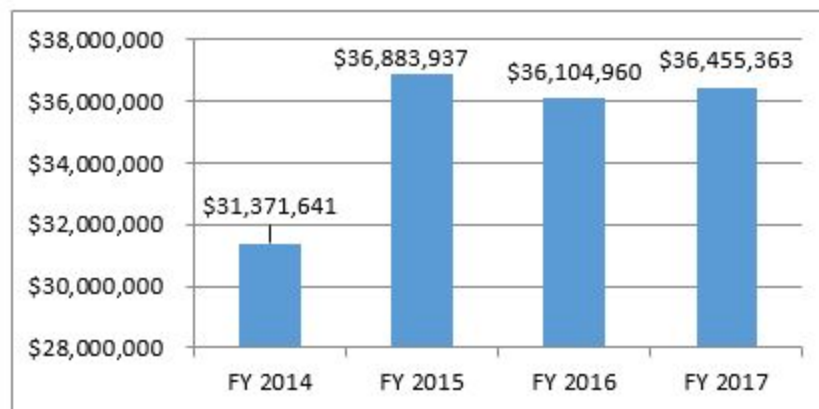


Figure 3.10.1-3: Permanently Restricted Funds (Endowment) FY 2014 – FY 2017

The Finance Committee and Board of Trustees annually approves the [endowment income spending rate](#) that utilizes earned income and capital gains. The endowment income spending rate of 6% was increased in FY 2016 to allocate a 1% administrative management fee to underwrite internal administrative expenses of processing and accounting for endowment income.

Net Tuition & Fee Revenue

The FY 2017 audit confirms that the Net Tuition and Fee Revenue (Figure 3.10.1-4)

has increased 9.1% (\$650,744) during the FY 2014–FY 2017 time period. Growth in this key component of operating revenue (43% of the total unrestricted revenue in FY 2017) is attributable to moderate tuition and fee increases; increasing enrollment; implementation of new fees to fund specific activities (e.g., sports medicine fee, on-line fees); and managed financial aid packaging policies.

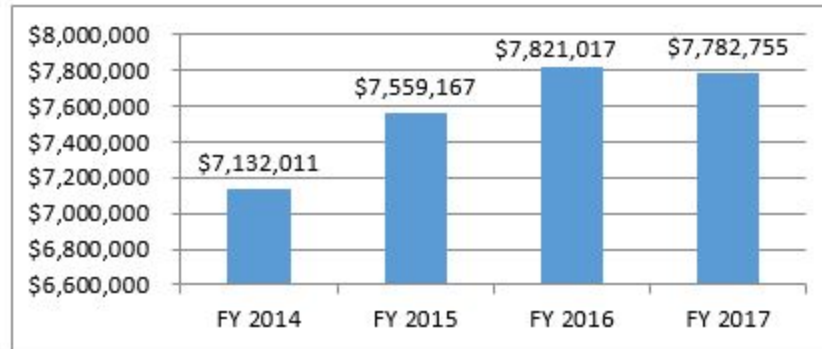


Figure 3.10.1-4: Unrestricted Net Tuition and Fee Revenue FY 2014 – FY 2017

The College strategically utilizes unrestricted, restricted, and endowed scholarship dollars to minimize the cost of institutionally funded awards and to enhance the overall financial impact of modest enrollment gains. Additionally, responsible financial aid packaging practices maintained the [unrestricted fund discount rate](#) in the 44-49% range, which tracks with the national average for similar institutions, as reported by National Association of College and University Business Officers (NACUBO). Endowment additions and other donor and grant gifts focusing on funding student financial aid continue to assist the college in maximizing operational net tuition and fee revenue to enhance fiscal stability.

Annual Gifts and Grants

This annually increasing critical revenue generating function provides appropriate support for fiscal operations (Figure 3.10.1-5). Additional details and explanation of the successful increase in gifts can be found in [CR 2.11.1 Financial Resources and Stability](#).

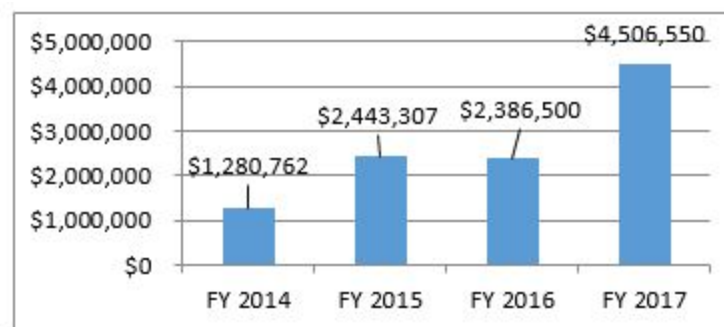


Figure 3.10.1-5: Private Gifts and Grants FY 2014 - FY 2017

Net Auxiliary Financial Operations

Along with improvements in net tuition revenue, net auxiliary fiscal operations continue to show improvement and enhanced stability as the [campus residential population](#) has increased (Figure 3.10.6). Further explanation and details of this improved auxiliary operations margin can be found in [CR 2.11.1 Financial Resources and Stability](#).

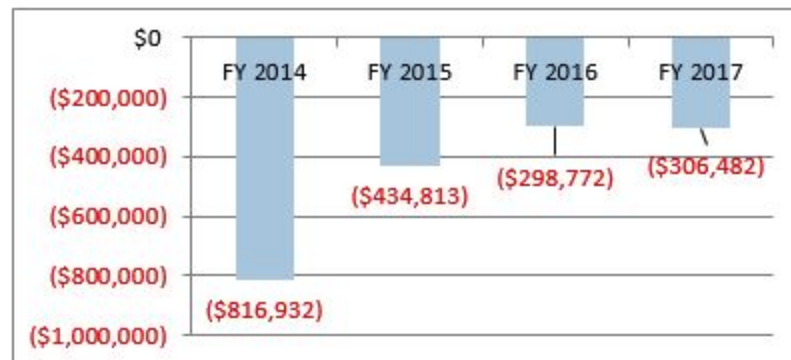


Figure 3.10.1-6: Net Auxiliary Operations FY 2014 – FY 2017

Unrestricted Expenditures

Unrestricted expenditures totaled \$17,024,871 in FY 2017 (Fig. 3.10.1-7), an increase of \$705,406 (4.3%) over the prior year. FY 2016 experienced a 7.5% increase while FY 2015 reflects an increase of 4.9%. The College continues to carefully control expenditures and strategically re-allocate funds to the most effective programs and initiatives.

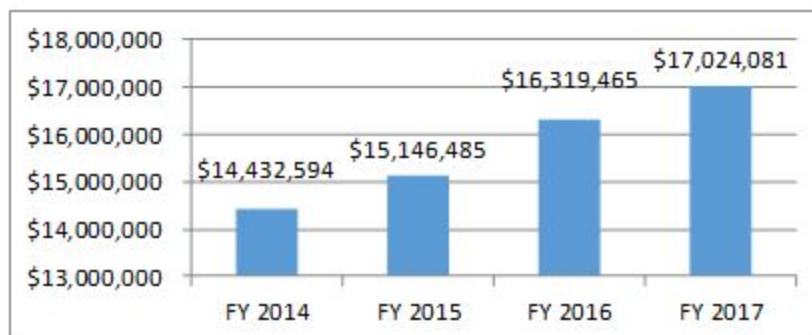


Figure 3.10.1-7: Total Unrestricted Expenditures FY 2014 - FY 2017

Operating expenses have been moderated in recent years as a result of various cost containment measures implemented to control expenditures while being sensitive to the human resource component of the College, including:

- Strategically restructuring faculty positions as faculty retired to enable targeted support in growing and/or new academic programs in which students were interested;
- Restructuring staff positions to increase efficiency in management functions and support student services and Admissions efforts;

- Right-sizing and then reallocating academic and co-curricular program funds based on enrollment and/or participation;
- [Awarding an employee bonus in FY 2017](#) to acknowledge the lack of salary increases in recent years, but without committing future annual operating funds;
- Institutionally funding all increases in health plan costs in lieu of salary increases; and
- Implementing technology to increase efficiency and accuracy which provides operational cost savings (i.e., Admissions tracking system, cloud-based data)

The majority of unrestricted operating budget funds include fixed and non-discretionary expenses such as faculty compensation and benefits, facility maintenance, depreciation, utilities, insurance, expenses to meet regulatory requirements (Title IX, NCAA Compliance, etc.) and professional services (audit, legal, etc.). These expenditures do not vary directly with annual fluctuations in enrollment levels and fiscal resources, so effective re-allocation strategies have been utilized. Limited discretionary program and personnel adjustments have been approved recently, with careful criteria to improve revenue generating functions along with enhancing academic integrity, academic support and key co-curricular services within the available resources.

Institutional Budgeting and Fiscal Activities

To provide appropriate fiscal planning, Kentucky Wesleyan College begins the annual institutional budgeting process in the previous fiscal year for the fiscal period which runs June 1 to May 31. A qualified, experienced Vice President of Finance leads the fiscal planning, budgeting, monitoring and reporting functions collaboratively with other campus personnel. Administrative officers representing functional areas of the College along with other key program Directors and faculty participate in the fiscal budget planning and monitoring process. Comprised of 12–15 members, the [Institutional Budgetary Advisory Committee](#) guides the annual budgeting process. The Faculty Trustee, elected by the Faculty, is on the Institutional Budget Advisory Committee, Finance Committee and Board of Trustees thereby providing additional faculty participation in the annual budget process and on-going fiscal monitoring. Budget committee members consult with department budget managers and assist with prioritizing expenditure allocations. Personnel staffing requests and benefit decisions are reviewed and prioritized by the Administrative officers. A draft of the upcoming year's budget that is reviewed by the budget committee and Administrative officers, including revenue projections, expenditure estimates, and staffing levels, is presented and approved by the Finance Committee and Board of Trustees in May or June of each year. A [revised, updated](#) version is compiled for subsequent approval as needed based on final enrollment, residential occupancy, financial aid, and other fiscal commitments in the early fall of each year.

Specific personnel are assigned to fiscally monitor and control each College department activity and budget. Expenditures are also closely monitored via the Business Office controls for appropriate authorization prior to commitment and

disbursement. College officers provide approval and oversight of all expenditures in their areas of responsibility. Revenues are tracked by qualified staff working in the campus activity function that generates the funds.

[Detailed operating budget reports](#) with variance details are provided to departmental budget managers monthly. The Administrative officers receive an [operations actual vs. budget report](#) monthly and the Board of Trustees also receives the interim financial operating reports with variance data at their meetings. This statement reflects annually budgeted fiscal activities that are budgeted, monitored and controlled by the Administration. In FY 2017 variances were reflected due to recent utility rate increases, expensive HVAC failures in two facilities, moisture containment and treatment in residential facilities and additional athletic expenditures due to year end conference championship travel and award expenses and an increase in overall team travel costs. Changes in market values, transfers within funds and other non-operating items are not included.

Financial operations in recent years have generated increasingly positive operating margins indicating improved fiscal stability (refer to Table 2.11.1-2, in [CR 2.11.1 Financial Resources and Stability](#)).

Human Resources Expenditures

Focusing on fiscal stability and balanced operating margins in recent years has constricted operating resources for increases in human resource expenditures. New positions have been limited to revenue generating functions or positions required to meet compliance and regulatory statutes.

Institutional funding of all health increases annually has allowed employee contributions to remain constant since September 2013, but salary increases have not been possible. To acknowledge that issue, the Board of Trustees approved and issued a total one-time bonus pool of \$70,000 (equal to 1% of compensation) for employee bonuses to all current staff and faculty in April 2017. To build organizational unity and focus on a collaborative environment, the funds were awarded based on [three tiers of service time](#) to the college so that all could share in a reasonable amount of bonus. Utilizing this format was fiscally sound by allowing the college to expend an available amount for a compensation program without committing additional compensation expenditures in future years. As fiscal operating margins are slim and restoring reserves is the operating priority, this was determined by the Board of Trustees to be the best methodology. No salary increases were incorporated into the FY 2018 budget, but if additional fiscal resources become available during the year, the salary bonus plan can be revisited again.

Substantial progress has been accomplished in contrast to the prior years of weak financial activity that eroded unrestricted fund balances. The recent annual unrestricted operations reflect realistic financial planning and execution of the plans to meet organizational and financial goals to insure fiscal stability and restoration of reserves.

FY 2018 Operating Fund Budget

The FY 2018 budget reflects a positive operating margin of \$100,320 based on a confirmed full-time student enrollment of 660 full-time students for Fall 2017, an increase of 1.4% over the prior year. Other key fiscal operating components of this budget approved by the Board of Trustees on September 7, 2017 are:

- Total revenue increases of \$443,575 over the FY 2017 operating fund budget
- A (\$203,715) decline in net Tuition & Fees revenue due to increases in institutional scholarships necessary to recruit a price sensitive freshmen class in a highly competitive market for small, private church related institution
- A modest 5.4% increase (\$100,000) in the unrestricted gift budget that is still below the dollar amounts raised in each of the recent three years
- \$567,290 increase in annual Auxiliary revenues due to increased number of residential students (31) and moderate increase in fees
- A budgeted net Auxiliary operating margin of \$899,880 (\$3,838,755 - \$2,938,875)
- Budgeted Physical Plant and Depreciation charges are allocated to other functional areas at fiscal yearend for audit presentation. Allocation of 42% (based on square footage of auxiliary facilities) of these budgeted costs (\$770,710) will be allocated to the Auxiliaries function. Therefore, the net Auxiliary operations budgeted for FY 2018 is a conservative positive \$119,170 margin. This reflects a significant improvement over the recent years of negative operations for the revenue generating Auxiliary activity.
- Program increases of \$242,900 (including depreciation increase of \$26,100) have increased a modest (3.2%) over the prior year budget. These increases include non-discretionary increases such as utilities, cost of additional dining plans, new athletic field lease for the track team, etc. To promote fiscal stability within the operating budget, discretionary expenses were very limited in this budget.

The College continues to utilize grants from federal, state and private foundations to complement budgeted operating resources and activities.

Completing implementation and refining of the integrated institutional software system in FY 2017 and into FY 2018 will continue to enhance efficiencies that save operating funds and increase timely access to data that enhances all administrative and academic function decision-making and outcomes. Overall the institution has re-allocated funds into appropriate areas with strategies to effectively utilize resources to accomplish the mission and serve students appropriately within the available recurring operating resources to promote fiscal stability.

Evidence of Compliance: The College has provided evidence that it has recent financial stability and is taking appropriate measures to further strengthen fiscal operations. The College's financial stability is evidenced by its ability to:

- Generate positive operating margins as evidenced in the annual audit reports

- Refinance debt agreements and meet debt obligations annually
- Monitor, update and manage the crucial endowment fund earnings and capital growth to enhance stability and operations
- Reduce reliance on and repay the internal operating line of credit
- Successfully fund raise to support both unrestricted and restricted operating needs
- Anticipate, understand and respond to economic adversity with sound business practices
- Produce annual balanced operating results with appropriate margins based on long-term plans of sustainability and growth
- Rely on expertise of its experienced, qualified Officers and governing body to provide constructive, efficient feedback and guidance on fiscal activities

Sources

 Board of Trustees Minutes Sept 2017	▲
 Bonus Notification	▼
 Faculty Handbook 2016 (Page 16)	▲
 Fall 2017 Enrollment Comparison	▼
 Finance Committee Minutes June 2017	▲
 Financial Ratios FY 2014-2017	▼
 Financial Trends & Comparative Financial Statements	▲
 FY 2017 Interim Financial Operating Report	▼
 FY 2018 Unrestricted Operating Budget Final	▲
 NACUBO College Endowments Average	▼
 OPS Track Memorandum of Agreement 1-16-2016	▲
 Student Success Center Detailed Operating Budget	▼
 Table 3.10.1-1 Audit Findings	▲
 Tuition Discount Schedule	▼