July 7, 2014

Dr. Michael J. Beals
President
Vanguard University of Southern California
55 Fair Drive
Costa Mesa, CA 92626

Dear Dr. Beals:

At its meeting June 18–20, 2014, the WASC Senior College and University Commission (WSCUC) considered the report of the review team that conducted the Special Visit (SV) to Vanguard University of Southern California (VUSC) on March 26-28, 2014. The Commission also had access to the institutional report prepared by VUSC prior to the Special Visit, and to the institution’s May 21, 2014 response to the visiting team report. The Commission appreciated the opportunity to discuss the review with you; Ms. Lettie Cowie, CFO/Vice President for Business and Finance; Dr. Doretha O’Quinn, incoming Provost; and Dr. Ludmila Praslova, Director of Educational Effectiveness and Institutional Research and ALO. Your comments were helpful in informing the Commission’s deliberations.

The Special Visit was scheduled to evaluate the progress made by Vanguard University with respect to the Commission’s July 27, 2010 action of Notice of Concern, and to address three issues contained in the Interim Report Committee’s March 25, 2013 letter. Specifically, VUSC was asked to address:

1) Assessment of progress on remaining “Exigency Key Performance Indicators: Primary and Other” developed by the institution.
2) Examination of financial information including a complete set of financial statements: a) 2013 audit report; b) three most recent management letters and management responses on A133; c) year-end financial reports so that the visiting team can assess Vanguard’s cash obligations and current reserves; and d) interim financial reports including Statements of Financial Position and Activities.
3) Review of enrollment data showing target and actual enrollments for the three most recent years and projected enrollments from 2015 through 2017, because of the relationship between enrollment, tuition, and financial sustainability.

The team concluded that the institutional report was clearly written, well-organized, and thoroughly addressed the three issues. Preparation of the institution’s report included appropriate campus involvement, and the supplemental materials provided to the team offered evidence of specific actions and improvements, effectively substantiating the statements in the report. VUSC was open and transparent in its communications with the WSCUC visiting team and responsive to requests for additional information. The clarity and thorough analysis of and reflection on the issues by the
institution are evidence that VUSC’s leadership has taken the concerns of the Commission seriously.

VUSC has demonstrated “strong leadership, focused vision for its future and commitment to shared governance at all levels.” Furthermore, in respect to its transition from crisis and financial exigency toward recovery, VUSC has made progress toward sustainability and improvements in its financial position. The team found that VUSC has developed and implemented effective internal policies and procedures and has improved interdepartmental collaboration and communication as well.

Progress on exigency key performance indicators. The team found that the university has made “substantial and substantive progress from the nadir of financial crisis” by improving its policies, processes, and internal communications. VUSC reported meeting six of the seven Key Performance Indicators (KPIs) originally established by the board in 2009; the remaining KPI to be met is the Consolidated Financial Index (CFI), which has a target of 4 but is currently 3.2. In June 2013, the board voted to declare an exit from financial exigency; as the team noted, however, based on the most current audits, “there is no trend toward achieving a CFI of 4.”

In spring 2013, the board of trustees developed a new approach for monitoring the KPIs. The board expanded on the original seven KPIs, to include all aspects of the Composite Financial Index and the Department of Education Ratio, and adopted new KPIs that focus on academic achievement, student success, and diversity. While the board continues to monitor the original seven financial KPIs with the goal of reaching the previously established targets, timelines have not yet been established for reaching those targets. The team noted that “continued monitoring of the KPIs on the financial health of the institution is necessary” for VUSC to achieve long-term financial sustainability. This may include identification of specific progress milestones and implementation timelines. (CFR 3.4)

Examination of financial information. The financial performance at VUSC has gradually improved, and the team found that “the board and staff have made significant improvements over the last few years to achieve the current level of accuracy, completeness, timeliness, and monitoring” of VUSC’s financial information. The audited financial statements as of June 30, 2013 reflect an increase in net assets from operations to $3.9 million from $2.7 million the prior year. Unrestricted net assets increased by $2.8 million to $5.2 million, and total net assets increased from $9.4 million to $13.7 million. VUSC has continued to prepay its long-term debt and has reduced its debt obligations 30%, from $33.2 million to $23.3 million. Although VUSC’s cash liquidity is low, the Finance Committee has been carefully monitoring its cash flow and the university has not needed to borrow funds to cover operating expenses in many years.

The team noted that faculty compensation is below market levels and that the “ability to retain qualified faculty without sufficient compensation increases over time is not sustainable.” Furthermore, recruitments for a number of vacant management and staff positions were underway at the time of the visit, including a permanent provost/vice president for academic affairs. VUSC will need to successfully recruit, hire, and retain qualified management, staff, and faculty in order to accomplish its transition to long-term sustainability. (CFR 3.1, 3.8)

The overall gradual financial improvement over the last four years is primarily attributed to student enrollment growth, including student retention (CFR 3.4). The team noted that “Vanguard should
continue to further integrate strategic planning, enrollment management, departmental assessments and planning, capital project planning, cash flow management, advancement goals, and KPIs to align with a broader overall financial performance monitoring and budget planning to advance the financial health of the university." (CFRs 3.4, 3.5, 4.6, 4.7)

**Review of enrollment data.** Vanguard University’s financial health is heavily dependent on enrollment. Headcount enrollment grew from 1,923 students in fall 2009 to 2,415 students in fall 2013, an increase of 25.6%, and there was notable enrollment growth in 2011 and 2012. New student enrollment in fall 2013 did not reach the levels of the two previous years, but overall undergraduate enrollment increased due to improved student retention. New degree and certificate programs are being developed and approved to support enrollment growth as well, specifically in the School for Graduate and Professional Studies. The team found that five strategic initiatives to achieve projected enrollment numbers and budget predictions through fall 2017 are being translated into action. Because VUSC will continue to be dependent on tuition revenue to achieve financial stability, it will be essential for enrollment planning and management and student recruitment to align with strategic and financial planning.

The Commission endorses the findings, commendations, and recommendations of the Special Visit team, as identified below.

Vanguard University is to be commended for:

**Presidential leadership.** The president exhibited strong leadership, a focused vision for the institution’s future, and a commitment to shared governance at all levels.

**Progress in its transition from crisis and financial exigency towards recovery.** VUSC has made improvements in its financial position, including an increase in unrestricted net assets, increase in the Department of Education Ratio, and reduction of long-term debt, with progress toward its goal for long-term financial sustainability.

**Developing, strengthening, and implementing effective policies and procedures.** VUSC had created and implemented effective policies and procedures in budget planning, accounting functions and systems, accounts receivable and collection methods, departmental level controls, position control monitoring, and financial aid.

**Interdepartmental collaboration and communication.** Improvements in interdepartmental collaboration and communication have helped VUSC to achieve its current financial condition.

**Attractive and hospitable physical environment.** The physical environment of the campus facilities and grounds is well maintained and effectively utilized.

The Commission also endorses the following recommendations of the team:

**Employ qualified personnel.** It is essential that the VUSC demonstrate its ability to successfully recruit, hire, and retain qualified management, staff, and faculty in order to accomplish its objective of long-term sustainability. (CFR 3.1, 3.8)
Continue to improve financial health and sustainability. While many improvements in VSUC's financial position have been accomplished, much work remains to be done in the area of improving financial health as measured by the Board's KPIs, including identification of specific milestones and timelines. (CFR 3.4)

Align enrollment planning and recruitment with strategic and financial planning.
Focused and comprehensive enrollment management and student recruitment should be aligned with strategic and financial planning. This is especially critical as Vanguard remains heavily dependent on tuition revenues. (CFR 3.4, 4.6, 4.7)

Given the above, the Commission acted to:

1. Receive the Special Visit team report, continue accreditation, and remove the Notice of Concern.
2. Request an Interim Report due March 1, 2015, addressing the recommendations as stated above.

In accordance with Commission policy, a copy of this letter will be sent to the chair of Vanguard University's governing board in one week. The Commission expects that the team report and this action letter will be posted in a readily accessible location on Vanguard University's web site and widely disseminated throughout the institution to promote further engagement and improvement and to support the institution's response to the specific issues identified in these documents. The team report and the action letter also will be posted on the WSCUC website.

Finally, the Commission wishes to express its appreciation for the extensive work that the Vanguard University undertook in preparing for and supporting this Special Visit review. WSCUC is committed to an accreditation process that adds value to institutions while assuring public accountability, and we are grateful for your continued support of our process. Please contact me if you have any questions about this letter or the action of the Commission.

Sincerely,

Mary Ellen Petrisko
President

MEP/mb

Cc: Harold Hewitt, Jr., Commission Chair
Ludmila Praslova, ALO
David Oddo, Board Chair
Melanie Booth, WSCUC Staff Liaison