



Board of Trustees Meeting | October 14-15, 2016
W. T. Young Campus Center
Lexington, KY

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Committee Meeting Schedule

Friday, October 14, 2016

9:30 – 10:45 a.m.

Academic Affairs Committee

Campus Center Gym

Committee on Trustees

Presidents Room

11 – 12:15 p.m.

Information Technology Committee

Conference Room A

Strategic Planning Committee

Campus Center Gym

1:30 – 2:45 p.m.

Student Affairs Committee

Conference Room A

Advancement Committee

Campus Center Gym

3 – 4:15 p.m.

Enrollment Committee

Conference Room A

Business Meeting Agenda

Saturday, October 15, 2016

9 a.m.

- I. Welcome and Call to Order – Mr. William T. Young, Jr., Chair
 - a. *Approval of May 27, 2016 Minutes (Appendix A)*
- II. President's Remarks – Dr. Seamus Carey, President
- III. Finance Report – Mr. Marc Mathews, VP for Finance and Business
 - a. *Acceptance of the 2015-16 Audit (Appendix B)*
 - b. *Review and Approval of 2016-17 Budget (Appendix C)*
 - c. *Review and Approval of Property Swap (Appendix D)*
- IV. Enrollment Report – Dr. Holly Sheilley, VP for Enrollment and Student Life
- V. Academic Affairs Report – Dr. John Williams, Jr., Committee Chair
 - a. *Approval of Addition to Faculty Bylaws (Appendix E)*
 - b. *Approval of Candidates for Faculty Emeriti (Appendix F)*
 - c. *Approval of Candidate for Honorary Degree (Appendix G)*
- VI. Committee on Trustees Report – Dr. Aris Candris, Committee Chair
 - a. *Election of New Trustees (Appendix H)*
 - b. *Approval of Revisions to Bylaws (Appendix I)*
- VII. Advancement Report – Mr. James Frazier, III - Committee Chair
- VIII. Student Affairs Report – Dr. Holly Sheilley, VP for Enrollment and Student Life
- IX. Building and Grounds Report – Mr. Marc Mathews, VP for Finance and Business
- X. Information Technology Report – Mr. Mike Finley, Committee Chair
- XI. Potential Executive Session

FINANCE

Summer is the traditional time for our external auditors to visit and review our financial operations. Once again, they have confirmed that our reporting and statements accurately reflect the financial condition of the University.

The June 30, 2016, financial statements were audited by the independent public accounting firm of Blue & Company, LLC. The Finance Committee met with the auditors on October 3, 2016, to review the audit results and related matters. Blue & Company expressed a clean, unqualified audit opinion and reported no material weaknesses in Transylvania's internal control system. Transylvania's Statement of Financial Position (Balance Sheet) is strong, as total assets increased by \$13.7 million to \$271.3 million between July 1, 2015, and June 30, 2016. The increase was due primarily to an increase in physical plant of \$8.2 million and an increase in restricted investments of \$4.2 million.

Statement of Financial Position			
(in thousands)			
	2016	2015	\$ Change
Investments	\$174,959	\$169,692	\$5,267
Physical Plant	86,548	78,346	8,202
Other Assets	9,746	9,473	273
Total Assets	\$271,253	\$257,511	\$13,742

Endowment investments benefited from market appreciation of \$5.6 million, providing a total return for the year of 9.0%.

Change in Endowment Value 2015-16	
(in thousands)	
Market value 7/1/15	\$165,992
Gifts	1,358
Investment income, net	3,568
Realized/unrealized gains/losses	5,553
Spending distribution	(9,281)
Market value 6/30/16	\$167,190

Endowment funds support three major purposes:

	Market Value
	<u>June 30, 2016</u>
Institutional financial aid and current operations	\$ 84,804,000
W.T. Young Scholarship Program	13,561,000
Bingham Teaching Awards/Jones Faculty and Student Development Awards	<u>68,825,000</u>
TOTAL	<u>\$167,190,000</u>

The endowment is managed by the Investment Committee of the Board of Trustees (94%) and by one outside firm (6%).

Additions to the physical plant totaled \$11.7 million, primarily due to the construction of the new residence halls. Depreciation amounted to \$3.5 million. Our investment in the physical plant increased to \$86.5 million.

TRANSYLVANIA UNIVERSITY		
Changes in Land, Buildings, and Equipment		
Year ended June 30, 2016		
Residence Hall #3 - construction in progress		\$4,970,504
Bassett Residence Hall - construction in progress		4,918,889
Dalton Voigt Residence Hall - completion costs		1,187,605
Items < \$50,000		237,747
Mass spectrometer and glove box		150,512
Alumni Plaza - completion costs		113,878
Network server		90,477
Property Acquisition - 600/602/604 W. Fifth Street		75,415
Total Additions		<u>11,745,027</u>
Less Depreciation Expense		-3,543,638
Net Change		<u>\$8,201,389</u>

Total liabilities increased by \$12.2 million to \$49.1 million. The increase was caused primarily by additional debt drawn to support the construction of the new residence halls. Long-term debt totaled \$37.2 million as of June 30, 2016.

Net assets increased by \$1.5 million to \$222.1 million or 81.9% of total assets. The increase was due to market appreciation on endowment investments and additional principal gifts to the endowment, offset by the current year operating loss.

Statement of Financial Position (continued)

(in thousands)

	2016	2015	\$ Change
Bonds Payable	\$37,162	\$25,520	\$11,642
Other Liabilities	11,979	11,387	592
Total Liabilities	49,141	36,907	12,234
Net Assets	222,112	220,604	1,508
Total Liabilities and Net Assets	\$271,253	\$257,511	\$13,742

The deficit from operations in the current year was (\$1.133) million, as compared to an operating loss of (\$2.456) million for the year ended June 30, 2015.

Operating revenue and expenses were closely aligned with the Board-approved budget, with both falling below the budgeted amounts. Operating revenues were \$36.8 million versus a budget of \$37.8 million. The under-realization of revenues was primarily due to shortfalls in May term and study abroad revenue (which are offset by corresponding reductions in expense), room and board revenue, and unrestricted gift revenue. Operating expenses were \$37.9 million versus a budget of \$38.7 million.

Statement of Activities Actual vs. Budget 2015-16

(in thousands)

	Actual	Budget	Difference	Percent Variance
Revenues	\$36,807	\$37,811	(\$1,004)	(2.7)
Expenses	\$37,940	\$38,711	(\$771)	(2.0)
Difference	(\$1,133)	\$ (900)	\$233	25.9

At its recent meeting, the Finance Committee approved a final operating budget for 2016-17 with \$37.5 million in revenues, \$38.1 million in expenses, and a net operating loss of \$(585,000). This is based on a full-time equivalent average annual enrollment of 930 students and a 5.70% endowment draw.

Proposed Operating Budget 2016-17
(dollars in thousands)

	16-17 Revised Budget	16-17 Initial Approved Budget	\$ Difference	% Difference
Revenues	\$37,530	\$37,811	\$(281)	(.7)
Expenses	\$38,115	\$38,396	\$(281)	(.7)
Net Operating Loss	\$(585)	\$(585)	\$0	0
Avg. Full-Time Students	930	954	(24)	(3.6)

ENROLLMENT

For fall 2016, we enrolled 254 first-year and transfer students. The discount rate was 49 percent compared to 54 percent in fall 2015, resulting in an increase in the average net revenue per student of \$2,246.

The academic profile of the incoming class is consistent with fall 2015 and previous years, with an ACT middle 50 percentile range of 24–30.

	Fall 2016	Fall 2015	Fall 2014	Fall 2013
All Students				
Applications	1,406	1,921	1,449	1,536
Admits	1,155	1,428	1,181	1,258
Deposits	254	323	259	288
Yield Rate (Deposits/Admits)	22%	23%	22%	23%
Kentucky Students				
Applications	850	1,087	851	932
Admits	745	925	755	821
Deposits	188	246	177	208
Yield Rate	25%	27%	23%	25%
Out of State (Domestic)				
Applications	457	708	464	458
Admits	331	434	333	329
Deposits	63	69	61	59
Yield Rate	19%	16%	18%	18%
International Students				
Applications	99	126	134	146
Admits	79	69	93	108
Deposits	3	8	21	21
Yield Rate	4%	12%	23%	19%
Transfers				
Applications	46	54	39	44
Admits	29	25	16	23
Deposits	13	11	11	14
Yield Rate	45%	44%	69%	61%

It is clear that we need to significantly expand our admissions funnel at the application stage if we wish to enroll larger classes. To achieve this goal, we have developed intentional targeted prospect audiences using a multi-variate regression model.

To reach our goal of 330 students for fall 2017, we have implemented the following strategies:

- **Increased Visit Opportunities:** We know that if students visit campus, and especially if they stay overnight, the likelihood of them enrolling is over 40 percent. Thus, our focus this year is to significantly increase student visit opportunities. We have already hosted two summer open houses, scheduled three fall preview days, and begun offering Saturday appointments. For those coming on individual visits, we are offering a more personalized experience and are connecting prospects directly with faculty, staff, and current students. At a minimum, we are inviting them to sit in on a class and join us for meals, but there are a variety of other options as well.
- **Increased Communication and Marketing:** We have developed a more thorough communication flow to senior prospects which includes segmented and personalized email and text messaging, personalized print communications, and targeted social media advertisements. We have also improved the communication flow to parents in both email and print. In addition, we have created similar segmented communication flows for international students and transfers. Finally, with increasing numbers of students starting the college selection process earlier, we have revived a communication flow for sophomore and junior prospects.
- **Enhanced Relationships with School Systems and Target Populations:** One of our major goals is to re-establish our market presence in Kentucky. To do this, we need to develop partnerships with schools and other constituents within the state. In addition to traditional outreach visits to high schools and college fair participation, we are working to bring more student groups to campus to experience a day with our professors and students.

We are also hosting camps, one-time events, and multi-day events for specific populations such as the College Empowerment Program, Latino Leadership & College Experience Camp, Governor's School for Entrepreneurs, Youth Salute, Be Bold, Kentucky Education Experience, and HOBY.

Within Fayette County, we have targeted several high school magnet programs, including the Liberal Arts Academy at Henry Clay, Exemplar Scholars at Lexington Catholic, STEAM Academy, and the Math, Science and Technology Center (MSTC) at Paul Laurence Dunbar. We are working to provide their students with college preparation workshops. We are also exploring opportunities for our faculty and students to engage with these students.

Finally, we have developed a scholarship program aimed at recruiting students from International Baccalaureate (IB) Programmes in the region and across the nation. IB Programme students match the profile of Transylvania's most successful recruits, in part because their high school curriculum prepares them well for our blend of liberal learning and professional preparation. Our IB Scholars program is only the fourth in the country to directly target IB students in this way.

Implementation of these new strategies, along with prior successful strategies, including test-optional, and the benefit of a more seasoned staff should improve our success in building strong, sustainable relationships with students, families and guidance counselors.

ACADEMIC AFFAIRS: Strategic Initiatives for the Academic Year 2016-17

Implement academic initiatives that strengthen the liberal education mission while increasing enrollment and improving retention.

To celebrate the start of a new academic year, the Dean's office planned a revitalized Opening Convocation, which included the conferral of an honorary doctorate on noted Kentucky author Silas House and the presentation of 2015-16 student awards. Several members of the Lexington community attended. We announced a common theme for the academic year, "Unlearn Fear + Hate," drawn from the work of professors Kurt Gohde and Kremena Todorova and based on a line from a Frank X Walker poem. This theme imbues multiple activities across campus, including lectures, community projects, and other initiatives.

We received a \$100,000 grant from the Andrew W. Mellon Foundation to expand the role of the Bingham-funded Center for Liberal Education (CLE). Projects will include a curriculum review and revitalization and the development of a plan to create a faculty development center focusing on teaching and learning. Professors Meg Upchurch and Melissa Fortner were selected to serve as the CLE Senior Fellow and Fellow, respectively, and to lead the grant projects over the next two years.

During the summer term, 54 students participated in academic internships. The disciplines represented were accounting, anthropology, business administration, English, exercise science, international affairs, mathematics, music technology, philosophy, political science and economics (PPE), psychology, self-designed study, Spanish, and writing, rhetoric and communication (WRC). Thirty-three students studied abroad during the summer.

To date, 82 first-year students have signed up for the 100 Doors to Success mentoring program (approximately 32 percent of the class). Ninety-seven new mentees have signed up for this school year, and a total of 279 students are registered for the program (approximately 29 percent of the student body). There are currently 220 mentors, 60 of whom are new for this school year.

Graduation Rate

The Office of the Registrar reports a four-year graduation rate of 71 percent for the 2012 cohort, the highest since Transylvania began collecting this information in 1982.

Students Entering:	# in Cohort	% Graduated		
		<u>4 Years</u>	<u>5 Years</u>	<u>6 Years</u>
Fall 2007	335	67.5%	71.3%	72.2%
Fall 2008	317	63.2%	69.2%	70.5%
Fall 2009	283	69.9%	72.0%	73.0%
Fall 2010	303	70.6%	73.3%	74.6%
Fall 2011	241	67.6%	74.3%	
Fall 2012	331	71.0%		

Nationally, the four-year graduation rate is 34.4 percent at public institutions and 52.7 percent at private institutions. In Kentucky, four-year graduation rates are below 25 percent at several public and private institutions. The highest rate at a public university is at the University of Louisville (35.9 percent) and the highest at a private college is Centre College (80 percent).

Partnerships with the University of Kentucky

Dean Bryan recently met with the deans of University of Kentucky (UK) Colleges of Business and Economics, Dentistry, Health Sciences, Law, Medicine, Nursing, Pharmacy, and Public Health to discuss ways to increase collaboration and partnerships between UK and Transylvania. The deans of the Colleges of Dentistry, Health Sciences, Medicine, Pharmacy, and Public Health have agreed to give Transylvania applicants priority review in the admissions process and they are developing innovative curriculum programs to attract our students. Meanwhile Transylvania faculty members are establishing specific degree pathways to help our students prepare for these graduate and professional programs. We will also host a UK graduate and professional school day on our campus November 16.

Professor Eva Csuhai, chemistry, and Dean Bryan were invited to serve on a UK College of Medicine Early Assurance Program Subcommittee to develop an admissions program that would facilitate matriculation to UK's new campuses in Bowling Green and Morehead. Transylvania is the only private institution represented on the subcommittee.

Curricular Activities

President Carey and Dean Bryan have initiated meetings with several faculty members to develop a campus-wide focus on digital liberal arts/digital learning at Transy.

Faculty members recently voted to replace the three-week First Engagements course during August term with a one-week First-year Conference prior to the start of fall term. A common theme will guide the conference, which will include activities such as seminars, faculty talks, panel discussions, symposia, and a keynote lecture.

This year we are exploring several academic initiatives to bolster recruitment and enrollment. For example, Dean Bryan, Marc Mathews, and Holly Sheilley are exploring options for dual-enrollment programs with private high schools in the Lexington area.

Facilitate success of faculty, staff, and students through fostering a community of excellence, effectively using resources, and implementing exciting initiatives.

For 2016-17, there are 84 full-time equivalent instructional faculty members, with 73 percent tenured, 18 percent tenure-track, and 9 percent non-tenure track. Ninety-six percent hold a terminal degree in the appropriate academic discipline.

In addition to the Dean and Associate Dean, the academic leadership team consists of four division chairs: Kurt Gohde, fine arts; Ellen Cox, humanities; James Wagner, natural sciences and mathematics; and Alan Bartley, social sciences.

This year, the Dean's office developed and implemented a new faculty orientation as well as mentoring programs for non-tenured and tenured faculty members. We are also developing an orientation and on-boarding program for contingent faculty members.

In order to continue to ensure compliance with the U.S. Department of Education Office of Civil Rights with regard to Title IX of the Education Amendments of 1972, 10 staff members attended the ATIXA Title IX Investigator Training, and Transylvania hosted a Level 2 Training over the summer. The Title IX office has released the 2017 policy and is planning presentations to the campus community regarding the results of the 2016 campus climate survey.

Lectures and Performances

The Transylvania University distinguished lectures and performance series is underway, with events scheduled throughout the academic year.

The Smith Concert Series will bring to campus world-class string trio Time for Three. Known for their genre-bending concerts, the ensemble's eclectic variety of styles include classical, jazz, bluegrass, rock, and hip-hop. We look forward to the performance of this "classically trained garage band" on October 11 at 7:30 p.m.

Professor Reuven Firestone, Regenstein Professor in Medieval Judaism and Islam at Hebrew Union College-Jewish Institute of Religion in Los Angeles, will provide the Moosnick Lectureship in Judaic Studies. Dr. Firestone is one of the country's leading authorities on the relationship of Judaism and Islam and the author of numerous books, including *Journeys in Holy Land*; *Jihad: the Origin of Holy War in Islam*; *Children of Abraham: An Introduction to Judaism for Muslims*; *An Introduction to Islam for Jews*; and *Who are the Real Chosen People: The Meaning of Chosenness in Judaism, Christianity and Islam*. Dr. Firestone will speak at Transylvania on November 15 at 7 p.m.

Our Kenan Lecture features poet Claudia Rankine, who was just awarded a 2016 MacArthur Genius Grant "for exceptional originality, insight and potential." Rankine's book *Citizen* (2014) "explored racism in everyday life, won numerous awards and made the New York Times best-seller list." We look forward to her lecture on February 16 at 7 p.m.

Transylvania Forensics team member Taylor Deaton '16 was the first-ever Tournament Champion at the Inaugural "Patriot Debates" at the University of the Cumberland. At nationals, two Transy students were ranked the 16th and 17th best speakers in the nation in Novice Division. Sophomore Riley Bresnahan repeated as State Champion in International Public Debate Association (IPDA) Debate. Bresnahan was also named the Junior Division National Champion in IPDA Debate.

Contribute to Transylvania's visibility and reputation, locally, regionally, and nationally.

Transylvania faculty gave more than 130 conference and professional meeting presentations in 2015-16. They published 78 pieces of original writing or translation and participated in over 200 creative activities. Some recent examples follow.

- Professor Gregg Bocketti published *The Invention of the Beautiful Game: Football and the Making of Modern Brazil*. University Press of Florida, 2016. Professor Bocketti also offered a thought-provoking commentary on the Olympic games in an op-ed published by the Huffington Post and Lexington Herald-Leader: "To Understand Olympics Protests, Look to the Past."
- Professor Jamie Day serves as the curator of the Moosnick Medical and Science Museum, housed in the Brown Science and Cowgill Centers. He answers research questions and conducts tours for scholars, current and prospective students, staff, and tourists. In this role, he also maintains an exhibit in the second floor lobby of the UK Healthcare's Chandler Hospital.
- Professors Veronica Dean-Thacker and Jack Girard gave a presentation on the art and poetry of Margarita Merino at the International Conference on the Image in Liverpool, England.
- Professor Amy Maupin received an honorable mention from the National Council of Teachers of English for her work "From the Scroll to the Screen: Why Letters, Then and Now, Matter," English Journal, Vol 105, No. 4, March 2016. The honor is associated with the Edwin N. Hopkins Award, which recognizes outstanding English Journal articles.
- Professor Jeremy Paden had several items published, including *Delicate Matters*, Winged City Chapbooks (Spring 2016), as well as 18 poems in journals and anthologies. He also had 19 translations published.
- Professor Zoé Strecker's proposal for a work of sculpture to mark the entrance to Lexington's Woodland Park was selected as the project's design award finalist. In May 2016 she was awarded the contract to complete Phase I, which involves finalizing the design and preparing construction spec drawings.

A number of our science faculty have received National Science Foundation grants, including professors Sarah Bray (collaborator on a \$1.9 million grant funded by the Dimensions of Biodiversity Panel), Rebecca Fox (collaborator on a \$177,895 grant over four years), and Robert Rosenberg (\$70,000 over 3 1/2 years).

The Morlan Gallery kicked off the 2016-17 academic year with a stellar exhibition titled "American Mortal," a reflection on the U.S. flag and the lives lost during U.S. military engagements. "American Mortal" garnered excellent media attention, appearing prominently in

the Lexington Herald-Leader newspaper and Southsider Magazine and viewed by over a half-million people in print and online.

Dean Bryan has been participating in the 2016 Leadership Kentucky program, which brings together a select group of people who possess a broad variety of leadership abilities and career accomplishments. The goal is to prepare participants to take an active role in advancing the state for the common good.

Serve as SACS-COC liaison; contribute to institutional effectiveness activities.

Dean Bryan is working closely with Rhyen Conyers, director of strategic planning and institutional effectiveness, to ensure 100 percent compliance for SACS-COC accreditation. To date, we are on-track for completing the Fifth Year Report, due in 2017.

We have conducted and analyzed a number of surveys, including a New Student Survey, a Senior Exit Survey, a Student Satisfaction Survey, and a Title IX Climate Survey. Transylvania leadership is currently reviewing the results of the surveys to assess institutional effectiveness and guide strategic planning.

ADVANCEMENT

Transylvania's Office of Advancement concluded a successful 2015-16 fiscal year and has launched 2016-17 under the leadership of new Vice President for Advancement Martin Smith.

Total Gift Income—Fiscal Year 2015-16

At the beginning of May 2016, total gifts to Transylvania were down 26 percent from the prior year. This decline had been consistent throughout the year, largely due to a dearth of realized estates. To counteract the deficit, the advancement staff retooled operations to engage other sources. As a result, June 2016 yielded a greater number of gifts to Transylvania than any single month in recorded history.

Overall giving totals for fiscal year 2016 (July 1, 2015, through June 30, 2016):

Category	Total Raised 2015-16	Total Raised 2014-15	% Compared to Prior Year
Annual	1,650,350	1,625,174	1.55%
Capital	2,355,242	2,447,426	-3.77%
Deferred	20,000	95,000	-78.95%
Restricted Operating	767,608	1,021,556	-24.85%
TOTALS	4,793,582	5,189,805	-7.63%

Capital Campaign and Major Gifts

A capital campaign timeline is being established as staff members begin leadership gift conversations. These initial "asks" will determine the viability of a specific campaign goal. The first meeting of the campaign leadership committee, co-chaired by Trustees James Frazier and Denise Grant, will precede the Board of Trustees committee meetings on October 14.

Current capital fundraising priorities include the Carpenter Academic Center (Haupt Humanities Building renovation) and softball field renovation. Our gifts officers are actively soliciting naming opportunities for both projects. We will continue to strive to fully fund both efforts by this spring.

Transylvania Annual Fund

End-of-year 2015-16 Annual Fund efforts were highly successful. Staff members closed a 33 percent deficit in unrestricted giving totals from the prior year. They solicited and secured three challenge gifts: one from an alumni couple to boost young alumni giving; one from a supporter focused on overall alumni contributions; and a third from President Carey matching faculty and staff donations. As a result, the 2015-16 Annual Fund finished 1.55 percent ahead of the prior year.

Transylvania Annual Fund Year-End Totals (July 1, 2015–June 30, 2016)

Category	Goal	Percent to Goal	Total 2015-16 Year	Total 2014-15 Year	% Compared to Last Year
Trustees	\$ 700,000	83%	\$ 579,909	\$ 541,542	7.08%
Alumni	579,000	96%	555,466	479,437	15.86%
Parents/Grandparents	125,000	56%	69,813	59,677	16.98%
Friends	75,000	185%	139,100	54,235	156.48%
Corporations/Foundations	50,000	408%	203,774	33,263	512.62%
Faculty/Staff	35,000	77%	27,681	18,952	42.48%
Churches	40,000	69%	27,681	28,731	-3.65%
AIKCU	11,000	84%	9,230	9,600	-3.85%
Trusts/Estates	590,000	7%	38,374	399,737	-90.40%
TOTALS	\$2,205,000	75%	\$1,650,350	\$1,625,174	1.55%

The advancement office recently introduced a new crowdfunding platform for the Annual Fund, a crucial step in educating donors about the impact of their gifts. Donor satisfaction and retention should be increased by allowing individuals to direct their contributions to specific campus efforts supported by the Annual Fund, as opposed to the catch-all “greatest needs.” Also, a new giving level has been added: the *Bridge Fund*. This new President’s Circle category recognizes those contributing at least \$2500 to the Annual Fund and honors the donor’s role in bridging the funding gap between a student’s unmet need and the student’s ability to pay, emphasizing our goal of increasing access to education.

Alumni Relations

Numerous alumni events have been held since the May Board meeting, including several in conjunction with the Office of Mentoring Programs. Recent lunches were held in Mount Sterling, Versailles, Richmond, and Frankfort. In July, we hosted over 160 alumni, families, and friends in Alumni Plaza for an ice cream social prior to the Fourth of July concert on Old Morrison lawn. This marked the largest number of alumni in attendance for the event in 10 years. By partnering with Stoll Keenon Ogden PLLC, we were able to make the event free for attendees. This event proved more popular than the pre-concert dinner format of previous years.

The Robert Barr Society (alumni who attended Transylvania 50+ years ago) held its second annual day-long reunion on September 29, with increases in both attendance and activity for the group. Barr Society events help us develop planned-giving relationships, which will impact momentum in that area.

STUDENT AFFAIRS

In addition to completing organizational changes begun last year, our over-arching aim this year is to support an inclusive culture at Transylvania. We are tailoring our initiatives to three primary goals:

- 1) Provide recruitment and retention assistance where possible
- 2) Offer students applied leadership opportunities
- 3) Weave Project One goals throughout all departmental initiatives.

Student Involvement and Leadership

Students have the opportunity to be involved in more than 50 clubs and organizations (including Greek life) on campus and in the greater Lexington community. This year, each University club or organization was required to send representatives to a start-of-year leadership retreat, where they assessed organizational values, learned Roberts Rules of Order, and developed strategic plans, budgets, and collaborative programming. All clubs and organizations are required to have these elements in place in order to be in good standing.

The Pioneer Leadership Certificate Program (PCLP) has been restructured as an experiential, co-curricular leadership certificate program aimed at preparing students to be values-driven leaders who are committed to creating social change on campus, within the community, and as leaders after graduation. This certificate is earned over four years.

Community Engagement

This is the second year of our revised community engagement plan, which provides weekly student volunteer opportunities focused on four themes: youth and education, affordable housing, domestic abuse support, and food justice. Students will also have the opportunity to be involved in a different community outreach event each month. For students interested in extended service opportunities, we will continue to provide alternative winter and spring break programs.

Collaboration with Admissions

In an effort to help boost enrollment and engage our students as leaders in these efforts, student affairs is collaborating with admissions on two initiatives.

First we will host six visit days in the spring specifically for admitted students and their parents. Each date will focus on programs within a different academic division, and the admitted students will be able to experience “a day in the life of a Transylvania student” by engaging with current student leaders and faculty. We hope these events will foster a strong connection to the University so that admitted students will be able to visualize themselves matriculating in the fall.

The second initiative will feature a number of events designed to bring groups of high school students to campus to meet and learn from our students. Plans now include monthly campus

visits by participants in the College Empowerment Program and prospective student events with groups such as Youth Salute.

Student Well-Being

Ashley Hinton-Moncer, who previously served as Title IX Coordinator and Director of Health & Wellness, is now our full-time Title IX Coordinator. Ashley Gutshall-Hill was promoted to Director of Student Well-Being.

Counseling Services

As indicated in the chart below, the use of counseling services on campus continues to grow rapidly, more than doubling since 2011. The average number of sessions per student in 2015-16 was 8.1, a slight decrease from the previous year of 8.7. However, we had 53 students needing more than 10 sessions, and 80 students were classified as high-risk or “in-crisis,” requiring extended sessions of 60-minutes or longer.

Academic Year	Number of Counseling Sessions
2011-12	593
2012-13	807
2013-14	981
2014-15	1,128
2015-16	1,453

Health Services

We will once again have a full-time Advanced Nurse-Practitioner (APRN) on campus to diagnose and treat a limited range of student, staff, and faculty illnesses. Between September 2015 and the end of June 2016, our previous APRN had 3,104 total visits (2,919 student visits).

Residence Life

Returning students were elated to see the renovations to Back Circle. New seating areas, a large grass lawn, new recreational spaces, and a covered pavilion are welcome and appreciated additions. We expect Bassett Hall and residence hall #3 to be finished in time to be occupied for winter term 2017.

Athletics

With another record class of first-year student-athletes, the total number of athletes on campus rose to 400. The average GPA for student-athletes in 2015-16 was 3.1.

This summer we moved sports medicine under the auspices of the Lexington Clinic to assure top-of-the-line care as well as consistency with new health regulations and practices. They will provide three athletic trainers to serve the 26 sport teams.

INFORMATION TECHNOLOGY

Active Calendar

Transylvania's home-grown electronic calendars on our public and internal websites made it difficult to enter and view information about campus events. In concert with the Office of Communications, IT explored a number of solutions to provide a robust, user-friendly calendar and, after extensive evaluation, selected Active Calendar. Active Calendar is a cloud-hosted solution that integrates well with the numerous Google calendars that are used on campus by many departments. It has visually pleasing interfaces for both viewing and searching and also includes features such as social media event sharing and electronic ticketing. With Active Calendar, event organizers around campus are able to quickly make information available to campus and the public, and anyone can subscribe to our calendars to receive updates. We believe that the Active Calendar product will be a welcome change both on campus and for our public website visitors. The new public calendar can be accessed on www.transy.edu under News and Events.

Softdocs

Despite several attempts to modernize business and office processes across campus, there are still a number of paper-based activities that consume the time and resources of both employees and students. Our research earlier this year led us to Softdocs to solve this problem. We have begun to deploy this powerful software and are working with admissions, financial aid, and the registrar, who will be the first adopters of the new tool. We are very excited about the potential time savings and ease of access to admissions documents that these departments will enjoy once the software is live. We expect to start importing admissions documents into the system sometime in November, and will then help these areas refine their work processes and transition from paper to the electronic system.

Once these offices are up and running on Softdocs, we will expand the effort to accounting and other areas. We know of several other paper processes, such as filling out expense reports and tracking receipts, that could easily be improved by using this software. In short, we firmly believe that the Softdocs product will result in more efficient and easier business processes across campus, and we are confident that the advantages offered by this software will validate the Board of Trustees' support of the capital investment that made its purchase possible.

COMMUNICATIONS

The role of the Office of Marketing and Communications is to manage and promote campus events, develop new marketing materials, and focus on social and traditional media communication.

Campus Events

This past May, the communications office assisted the Dean's office with logistics surrounding commencement, including design and printing of invitations; design and ordering of promotional items; design and production of new gonfalons and banners; coordinating logistics with caterers, florists, and photographers; and staging.

Also in May, communications staff worked with presidential candidate Hillary Clinton's campaign staff to host a primary election rally in the Beck Center, which was attended by nearly 1,000 people. The event received national news coverage and media hits from around the world. A photo of Transylvania students in the front row of the rally wearing logo-emblazoned T-shirts continues to appear in major news outlets, including the New York Times, Salon.com, Bloomberg online, and Meet the Press. Advertising value from the coverage of the rally totaled nearly \$5 million.

This summer we also assisted with two highly successful community events on campus: Lexington's annual Patriotic Concert with the Lexington Philharmonic and KET/Shaker Village's private screening of the "Live from Lincoln Center" presentation of the Chamber Music Society's concert of American music filmed at the Shaker Village's restored Meadow View Tobacco Barn.

Publications and Marketing Materials

The second issue of Transylvania's Third & Broadway magazine was produced and mailed in June. Themed "Pioneer On!," the issue highlighted three Transylvania alumni, who are pioneers in their respective fields: Joshua Santana '70, co-founder of the Central Music Academy; Cole Rucker '85, co-founder and CEO of Paradigm Malibu; and Roszalyn Mack Akins '76, founder of the Black Males Working Academy. The issue also highlighted several new or revitalized campus programs, including career services and the 100 Doors to Success mentoring program, the new digital arts project, and the Project One diversity programs. The fall 2016 issue of Third & Broadway, to be published in November, will focus on this year's campus theme of "Unlearn Fear + Hate."

In the past several months, communications staff have reviewed, updated, and developed new marketing materials for admissions. Two new marketing value proposition pieces based directly on the marketing research conducted in 2014 have been created: one describing the advantages of having our campus in downtown Lexington, and the other outlining the true costs and value of a Transylvania education. To complement our printed materials, we have partnered

with the marketing firm Spark451 to create a new online application portal and a more robust email communications flow.

Our website overhaul has shifted to the academic program pages, which our marketing research and website analytics tell us are our most viewed pages. We are refreshing those pages with new images, new content, and new navigation. Once these pages are live in mid-October, we will shift focus to the financial aid and scholarship pages.

Media and Social Media

This spring, we partnered with staff in the advancement office for the end-of-fiscal-year giving drive. We created a social media campaign centered on the theme #ThisIsTransy, which resulted in a monthly record for number of gifts (1,050). We also created a toolkit with graphics, suggested posts, and shared strategy with other Transylvania social media managers for their social media pages.

We also conducted a pre-graduation #TransyGrad campaign, highlighting achievements of numerous 2016 Transylvania graduates. We saw an uptick in our Facebook engagement, with each post receiving 200 to 300 likes and reaching upwards of 14,500 people. Our commencement coverage on social media continued to grow as well, with our audience reach expanded from 59,059 in 2015 to 77,404 in 2016.

This summer, we hosted our first Facebook Live event, the broadcast of the press conference at 21c Museum Hotel for the unveiling of professors Kurt Gohde and Kremena Todorova's interactive public artwork. That event had more than 6,000 views and was shared 61 times. We also broadcast Silas House's convocation address, which received nearly 2,000 views and was shared 14 times. We plan to use this tool for one-on-one sessions with administrators, faculty, and students, along with coverage of admissions and campus events this academic year.

In July, the new gaming app, Pokémon GO, was released to rave reviews in the virtual world. We immediately posted pictures that incorporated the game's augmented reality and developed a campus map highlighting PokéStops on campus. Additionally, we used the game during the summer admissions open house. Interest in the game has waned since summer, but we will continue to evaluate its potential for future marketing endeavors.

Analytics for our social media outlets from May to August 2016 continue to be on the rise, with our Twitter followers reaching 5,175 and Facebook page likes reaching 9,438.

Also this spring, we undertook a combined social media and traditional media campaign called "Pioneers for the Win." This project highlighted the more than 100 athletic and academic awards Transylvania students had received. Each student who was recognized had a personalized web page targeted to the student's hometown newspaper and high school. The web pages included personalized press releases, and many local newspapers across the country featured these individual student stories. We plan to repeat this campaign next spring.

We also “pitched” two faculty members, Chris Begley and Gregory Bocketti, as experts on underwater exploration of classical Greek shipwrecks and Brazilian sports and the Olympic Games, respectively. Both were featured in national news outlets.

Our traditional media mentions for May through August were valued at more than \$11 million and appeared in outlets throughout the United States, China, Italy, Germany, Australia, Brazil, and the United Kingdom.

2016-17 Strategic Action Initiatives

For the 2016-17 academic year, the Office of Communications has six priority initiatives:

Initiative 1—Admissions: Collaborate with admissions and Spark451 on communication/marketing strategy; tweak the yield communication flow process, which will be spearheaded in-house by the Office of Communications.

Initiative 2—Website: Continue the overhaul of the University website: complete overhaul of the majors/minors pages; install Active Calendar on both external and internal web portals; overhaul “Life after Transy” sections; overhaul Inside Transy, the internal web portal.

Initiative 3—Alumni and Advancement: Determine magazine topics for the year; develop materials for capital and building initiatives; create fund-raising support materials (brochures, appeal letters, etc.); develop a comprehensive alumni and development communications plan.

Initiative 4—Media and Public Relations: Create an expert database focused on faculty expertise areas; continue developing relationships with local and national media outlets; develop a comprehensive crisis communications plan.

Initiative 5—Social Media: Develop a comprehensive quarterly social media calendar; regularly review and analyze social media analytics; review University social media outlets for consistency and effectiveness; increase synergy with admissions; develop toolkits for use across all University social media outlets.

Initiative 6—Branding: Identify ways to introduce branding elements into buildings and across campus to promote personnel buy-in.

STRATEGIC PLANNING AND INSTITUTIONAL EFFECTIVENESS

Approved by the Board of Trustees in 2012, the Transylvania 2020 Strategic Plan was intended to help the University build upon its competitive advantages and prioritize its financial needs and fundraising in order to reinforce Transylvania's standing as a premier liberal arts institution. The University has made significant progress in important areas over the past four years, such as the construction of new facilities, diversifying the student body, and strengthening professional preparation programs for our students.

Even with this progress, it is appropriate to conduct a comprehensive review to evaluate the status and continued relevance of each of the plan's tactics. To this end, President Carey established a Strategic Planning Action Group, consisting of the president and 12 faculty and staff members, which began meeting in early September. This group was charged with completing three tasks by November 1, 2016: review the plan, rank the tactics, and propose action items to the president.

Each committee member will independently review and rank all 32 tactics outlined in the plan. They will assign rankings for each tactic using one of the following categories:

- a) The tactic is either completed or there is significant progress to report.
- b) The tactic is a high priority and should remain in the plan.
- c) The tactic is not a high priority but should still remain in the plan.
- d) The tactic is no longer a priority and/or is no longer relevant and should be removed from the plan.

Once the committee members have categorized the tactics individually, the group will reconvene in October to discuss the results and prioritize the remaining relevant tactics. We expect that some priorities can be accomplished with existing resources, while others will require additional financial and personnel resources. High priorities requiring additional resources will inform the Capital Campaign's goals and choices. Once the evaluation process is completed, we will provide regular updates to the campus on the plan's progress.

In addition to work on the Strategic Plan, the president has instituted a renewed focus on institutional effectiveness. Although Transylvania has had an institutional research department responsible for data collection for several years, each department was free to determine its use of those data in its planning efforts. While sufficient, this process was not effective; in consequence, the president has established a new Office of Strategic Planning and Institutional Effectiveness to ensure centralized, data-driven, university-wide planning.

This office will promote collaboration among our academic, administrative, and educational support units and will help to ensure that efforts toward program and institution-wide effectiveness and enhancement will be both coherent and efficient. In addition, this new organization will help demonstrate institutional compliance with our accrediting agency guidelines, which require that we focus on ongoing, integrated, and institution-wide research-based planning and evaluation.

Transylvania University
Board of Trustees
Minutes of the Meeting
May 27, 2016 – draft

The Transylvania Board of Trustees met in Lexington, Kentucky on Friday, May 27, 2016 in the William T. Young Campus Center.

Trustees present: Mr. William M. Arvin Sr., Mr. Glen S. Bagby, Ms. Mindy G. Barfield, Dr. Aristides S. Candris, Mr. Norwood Cowgill Jr., Mr. Martin Davey, Mr. Luther Deaton Jr., Mr. Michael Doheny, Ms. Rose Mary S. Dow, Mr. Michael C. Finley, Mr. James H. Frazier III, Mr. James G. Kenan III, Mr. John Knapp, Mr. Samuel J. Mitchell Jr., Mr. George M. VanMeter Jr., Ms. Ann O. Windley, Mr. Brian C. Wood, Mr. Christopher H. Young, Mr. William T. Young Jr., Dr. Byron Young

Trustees present via phone: Ms. Laura R. Harper

Trustees absent: Mr. Antony R. Beck, Ms. Laura T. Boison, Hon. Karen K. Caldwell, Ms. Ann Rosenstein Giles, Mr. Roszell Mack III, Mr. William C. Oehmig, Mr. Joe M. Thomson, Dr. John N. Williams Jr.

Lifetime Trustees present: Mr. John R. Hall, Dr. A. Guy Waldrop, Mr. Charles Williamson

Staff members present: Dr. Seamus Carey, president, Dr. Laura Bryan, vice president for academic affairs and dean of the university, Mr. Marc Mathews, vice president for finance and business, Dr. Rhyen Conyers, vice president for enrollment, Dr. Michael Covert, interim vice president for student affairs, Ms. Kara Covert, interim vice president for advancement, Mr. Jason Whitaker, vice president for information technology, Ms. Michele Sparks, vice president for marketing and communications, Dr. Holly Sheilley, vice president for athletics, Ms. Rachel Millard, executive assistant to the president, Ms. Diane Pruitt, administrative assistant.

Mr. Martin Smith, vice president for advancement, effective August 1, 2016, was also present.

Welcome

Chairman Young called the meeting to order at 9:05 a.m. He asked for a motion to approve the minutes of the February 5, 2016 meeting as distributed. Dr. Candris so moved; Ms. Windley seconded, and the motion was unanimously approved.

President's Remarks

President Carey welcomed Mr. Martin Smith who will assume the responsibilities of vice president for advancement on August 1, 2016. Mr. Smith thanked President Carey and said he is excited to be joining the staff at Transylvania.

President Carey presented some of the reasons for the recent enrollment shortfall. He said that while some of those factors are beyond our control, we will master our message, correct what we can, and communicate our strengths more clearly.

Reports

Enrollment Management

Dr. Conyers reported that enrollment focused on two priorities for the new class:

1. Class of 330 students (compared to 323 last year)
2. Discount rate of 52 percent (compared to 54 percent last year)

Deposits stalled by late April and totaled 234 on May 5. However, we have been very successful in lowering the discount rate which, as of May 5, is 48.2 percent for the incoming class. This number will fluctuate but is expected to be well under the goal and at its lowest level since 2008.

Fifteen percent of the incoming class was admitted under the Test Optional Policy. In terms of academic quality and demographics, the incoming class is similar to last year's:

- ACT middle 50 percent - 24-30;
- Students from Kentucky - 65.1 percent;
- Students of color - 16 percent.

Influences on the low enrollment results:

- Cost and competitiveness;
- Applicants also apply to lower-cost, in-state public institutions;
- Competition with private institutions which discount more than Transylvania;
- Rising costs relative to stagnant average family income;
- Public criticism of liberal arts colleges and liberal arts majors;
- High turnover in admissions staff.

The discounting strategy for this year almost certainly impacted enrollment. Scaling back excessive discounting this year meant that we lost some students who would have enrolled only for high discounts. However, non-financial aid applicants outperformed compared to last year. While we were down in other categories of financial need, we had 33 non-aid applicants this year compared to 26 last year. We are exploring new populations which may be able to pay more. It is important to note that last year's incoming class of 323 included 183 student athletes, an unsustainable number. The goal for this year was 110.

For the 2017 incoming class, enrollment will:

- Use aggressive strategies to market Transylvania to rising seniors;
- Embrace the earlier timeline for the Free Application for Federal Student Aid;
- Explore new ways to promote our academic programs, outcomes, and reputation and demonstrate that a Transylvania education is an excellent value.

Finance

Mr. Mathews reported that the Finance Committee met on Tuesday, May 24, 2016.

He presented the 2016-17 Operating Budget on behalf of the Finance Committee, highlighting the following:

1. Revenues are flat from the previous year;
2. Decreased expenditures of \$315,000 or 0.8%;
3. Decrease to net operating deficit of 35%, with deficit of \$585,000, and
4. Expected enrollment of 954 students.

Mr. Mathews also presented a 10-year budget projection based on an incoming class size of 300. Mr. Bagby moved to approve the 2016-17 Operating Budget, seconded by Ms. Windley, and approved unanimously. The 2016-17 Operating Budget and 10-year budget projection are attached to and made a part of these minutes (Appendix A).

Mr. Mathews presented an overview of the 2016-17 Capital Budget on behalf of the Finance Committee. The committee recommends \$193,000 for planned expenditures, including a document management system, and \$1,297,000 for potential projects, including:

1. \$250,000 – unallocated
2. \$250,000 – property acquisition
3. \$226,000 – library cooling tower and masonry repair
4. \$174,000 – MFA and Little Theater masonry repair

Mr. Bagby moved to approve the 2016-17 Capital Budget, seconded by Mr. C. Young, and approved unanimously. The 2016-17 Capital Budget is attached to and made a part of these minutes (Appendix B).

Mr. Mathews presented the proposed 2017-18 Tuition and Fees on behalf of the Finance Committee as follows:

	Proposed 2017-18	Enacted 2016-17	Increase \$	Increase %
Tuition	\$35,770	\$34,370	\$1,400	4.1
General Fee	\$1,520	\$1,460	\$60	4.1
Room and Board	\$9,890	\$9,600	\$290	3.0
Total	\$47,180	\$45,430	\$1,750	3.9

He indicated that, due to a recent federal regulatory change, families will be able to file the Free Application for Federal Student Aid (FASFA) starting on October 1, 2016 for fall 2017 enrollment. The Board was asked to approve tuition and fees for fiscal 2017-18 now so that the University will be in a competitive position to admit students and immediately award their aid packages this fall.

Mr. Bagby moved to approve the 2017-18 Tuition and Fees, seconded by Mr. Arvin, and approved unanimously.

Investment/Endowment Update

Mr. Mathews reported an endowment value of \$162 million on March 31, 2016, and reviewed the investment philosophy.

Advancement

Mr. Frazier reported that significant changes to the leadership structure of the advancement team have presented an opportunity to reorganize and to re-prioritize. He praised Ms. Covert for all that she has done for advancement since Mr. Purdom's resignation in March.

Mr. Frazier presented total gift income and annual fund giving information as follows:

Total Gift Income Comparison

(As of May 17, 2016)

	FY16 (5/17/16)	FY15 (05/17/15)
Annual	\$ 898,983	\$1,078,376
Capital	1,857,136	2,286,227
Deferred	15,000	90,000
Restricted Operating	556,954	819,254
TOTAL	\$ 3,328,073	\$ 4,273,857

Annual Fund Year-to-Date Comparison

(As of May 17, 2016)

Annual Fund	FY16 Goal	FY15 Goal	FY16 (5/17/16)	FY15 (5/17/15)
Trustee	\$700,000	\$700,000	\$132,932	\$357,088
Alumni	579,000	625,000	378,314	377,888
Parents/Past Parents	125,000	125,000	29,780	45,653
Trusts/Estates	590,000	490,000	238,374	185,822
Friends	75,000	75,000	62,915	52,740
Corp/Fndtns	50,000	50,000	2,704	6,725
Churches	40,000	40,000	26,296	27,233
Fac/Staff	35,000	35,000	18,438	15,627
AIKCU	11,000	11,000	9,230	9,600
TOTAL	\$2,205,000	\$2,151,000	\$898,983	\$1,078,376

Total giving last year for all categories was \$5,216,000. He noted that 2016 total gifts are lower than the previous year, due in part to a \$429,000 influx from three endowed scholarships gifts and left over funding for Alumni Plaza in 2015.

Last year's total trustee giving was \$541,542. Seven trustees have not given in the current fiscal year, and sixteen trustees have not given to the Annual Fund. The average trustee Annual Fund gift this year is \$10,100 versus \$21,600 last year. Average trustee giving in all categories is \$21,000 versus \$33,000 last year. Mr. Frazier said it is an honor and a privilege to serve as trustees and trustees are expected to give.

Mr. Frazier called on interim vice president for advancement Kara Covert. Ms. Covert reported that she has challenged her staff to evaluate their priorities and strategies and they have done so. The Advancement Office is currently focused on the fiscal year-end and looks forward to the arrival of Mr. Smith on August 1 and to working with him on the challenges ahead. Advancement priorities for fiscal 2016-17 are:

- Setting fresh goals and strategies for President's Circle (\$1,000+ donors) and planned giving donors. Success in these areas is critically important for meeting monetary goals, especially within a capital campaign.
- Developing a crowdfunding platform to increase participation, young alumni engagement, and Annual Fund totals. Donors will be offered specific Annual Fund areas to which they may contribute, promoting gift impact.
- Restructuring of "alumni chapters" into "alumni networks" to foster student mentoring opportunities and admissions assistance.
- Focusing on group affinity relationships such as careers, student activities and demographics to drive alumni functions and appeals, and
- Accelerating major gifts visits to support fundraising for key facility goals.

Ms. Dow and several trustees commended Ms. Covert for her work as interim vice president for advancement.

Academic Affairs

On behalf of the Academic Affairs Committee, Dean Bryan presented the 2016 candidates for the Bachelor of Arts degree (Appendix C), noting a proposed posthumous degree for Ms. Mary Katherine (Katie) Stewart. Dr. Candris moved to approve the posthumous degree for Ms. Stewart. Motion seconded by Mr. C. Young and carried unanimously. Dr. Candris moved to approve the remaining list of candidates. Motion seconded by Mr. C. Young and carried unanimously.

On behalf of the Academic Affairs Committee, Dr. B. Young presented revisions to the Faculty Bylaws regarding *emeritus* status and moved that they be approved (Appendix D). Motion seconded by Ms. Barfield and carried unanimously.

On behalf of President Carey, Dean Bryan presented Mr. Silas House as a candidate for the Doctorate of Humane Letters *honoris causa*. Ms. Windley so moved. Motion seconded by Mr. Cowgill and carried unanimously.

Committee on Trustees

On behalf of the Committee on Trustees, Dr. Candris proposed that the trustee class of 2020 be approved:

- Mr. William M. Arvin, Sr.
- Mrs. Laura R. Harper
- Mr. Roszell Mack, III
- Mr. Samuel J. Mitchell, Jr.
- Mr. William T. Young, Jr.

Mr. Knapp made a motion that the proposed class be approved. The motion was seconded by Mr. C. Young and approved unanimously.

On behalf of the Committee on Trustees, Dr. Candris proposed the 2016-17 slate of Board officers be approved:

- Mr. William T. Young, Jr., Chair
- Mr. James G. Kenan, III, Vice-Chair
- Ms. Rose Mary Stamler Dow, Secretary
- Mr. Glen S. Bagby, Treasurer

Ms. Windley moved that the slate be approved. The motion was seconded by Mr. Arvin and unanimously approved.

On behalf of the Committee on Trustees, Dr. Candris presented Ms. Denise Grant '88 as a candidate for membership on the Board of Trustees. Ms. Dow made a motion which was seconded by Mr. Bagby and approved unanimously.

Student Affairs and Athletics

Dr. Holly Sheilley has been appointed Vice President for Student Affairs and Director of Athletics. This new leadership and recent changes within student affairs will allow the department to align more closely with its stated values and goals.

Dr. Sheilley reported that changes in the structure of the campus and community engagement staff will provide enhanced opportunities for students, faculty, and staff to engage meaningfully with the community. Student Life continues to evaluate and build infrastructure in support of our international students. As well, the College Empowerment Program, designed to provide traditionally under-served high school students the resources they need to navigate the college admission and financial aid process, was expanded to include two more high schools and grew from serving 10 to 36 minority students this year.

Housing selection took place in late March with 608 students assigned housing for 2016-17. The new residence halls will be ready for occupancy in Winter Term 2017.

An Advanced Nurse Practitioner continues to be available to students, faculty, and staff in the campus clinic 30 hours per week. Because of the utilization by faculty and staff (168 visits) for minor medical matters, rather than visiting outside providers and charging the University's self-insured health insurance plan, the University has saved \$12,621.

Counseling Services conducted 1,277 unique visits this year, including intakes, crisis visits, and individual sessions, compared to 1,126 the previous year. Counseling Services served 183 students, compared to 130 last year. Because of the continuing increase in hospitalizations, the University's Health and Wellness department continues to meet annually with mental health providers and in-patient treatment facilities in the community to build working partnerships. Counseling Services continues its partnership with the University of Kentucky through the supervision of a Ph.D. intern.

Following the three-year NCAA Choices seed grant (2011 thru 2014), Transylvania has continued to support 31 late-night programs, to track alcohol-related vandalism and misconduct, to provide mandatory online training, and to target harm reduction strategies to students. Ninety-nine percent of our incoming students completed the mandatory online AlcoholEDU prevention program.

Dr. Sheilley commended our student-athletes for their many academic achievements. This past fall and winter:

- 31 student-athletes received Heartland Collegiate Athletic Conference Academic Awards;
- The swim and diving teams were named to the College Swimming Coaches Association of America Scholar All-American list, and

- The National Field Hockey Coaches Association named four members of the Transylvania University women's field hockey team to the 2015 National Academic Squad.

Our student-athletes also enjoyed significant success during both regular season and post-season play.

The athletic leadership team is completing re-certification with the NCAA, which requires all Division III institutions to conduct a comprehensive self-study and evaluation of their athletics programs at least once every five years.

Lunch and Presentation

Following Dr. Sheilley's report, the trustees took a short break and then were joined by the Board of Regents for a lunch presentation.

Ms. Covert spoke briefly about the capital campaign, mentioning the five campaign phases: research/planning, quiet (nucleus), leadership, public and celebration. The Campaign Leadership Committee has been formed, co-chaired by Mr. Frazier and Ms. Grant. Finally, the campaign priority funding areas have been selected: capital projects, endowment, educational excellence and Annual Fund.

President Carey introduced Mr. Kevin Herrick of SLAM Architects. Mr. Herrick gave a Power Point presentation of a proposed new student center for Transylvania, emphasizing that this is the conceptual stage and that the final plan will depend on financing and other factors.

There being no further business, the meeting adjourned at 1:00 p.m.

Respectfully submitted,
Diane Cansdale Pruitt

TRANSYLVANIA UNIVERSITY

BUDGET PROJECTIONS

FISCAL YEAR 2016-2017

	PROPOSED			
	BUDGET	BUDGET	\$	%
	<u>2016-17</u>	<u>2015-16</u>	<u>DIFFERENCE</u>	<u>DIFFERENCE</u>
<u>OPERATING REVENUES</u>				
TUITION AND FEES	\$ 35,009,000	\$ 35,790,000	\$ (781,000)	-2.2
ROOM & BOARD	7,003,000	7,100,000	(97,000)	-1.4
FINANCIAL AID	(17,625,000)	(18,400,000)	775,000	-4.2
NET STUDENT FEES	24,387,000	24,490,000	(103,000)	-0.4
GIFTS	2,000,000	2,205,000	(205,000)	-9.3
RESTRICTED GIFTS	591,000	323,000	268,000	83.0
ENDOWMENT INCOME	9,281,000	9,281,000	-	0.0
INVESTMENT INCOME AND OTHER REVENUES	749,000	725,000	24,000	3.3
AUXILIARY	803,000	787,000	16,000	2.0
TOTAL OPERATING REVENUES	37,811,000	37,811,000	-	0.0
<u>OPERATING EXPENSES</u>				
INSTRUCTION	9,700,000	9,978,000	(278,000)	-2.8
RESEARCH	54,000	54,000	0	0.0
ACADEMIC SUPPORT	4,665,000	4,651,000	14,000	0.3
STUDENT SERVICES	5,097,000	5,138,000	(41,000)	-0.8
ADMISSIONS	1,784,000	1,865,000	(81,000)	-4.3
INSTITUTIONAL SUPPORT	5,218,000	5,479,000	(261,000)	-4.8
PLANT	3,375,000	3,521,000	(146,000)	-4.1
DEPRECIATION	3,973,000	3,705,000	268,000	7.2
INTEREST	1,054,000	920,000	134,000	14.6
AUXILIARY	3,476,000	3,400,000	76,000	2.2
TOTAL OPERATING EXPENSE	38,396,000	38,711,000	(315,000)	-0.8
CHANGE IN NET ASSETS				
FROM OPERATIONS	\$ (585,000)	\$ (900,000)	\$ 315,000	-35.0
AVERAGE ANNUAL FULL TIME STUDENTS	954	1,024	(70)	-6.8
FROM ENDOWMENT:				
INTEREST & DIVIDENDS	\$ 3,400,000	\$ 3,400,000		
DRAWDOWN	5,881,000	5,881,000		
TOTAL ENDOWMENT	\$ 9,281,000	\$ 9,281,000		
ENDOWMENT SPENDING RATE	5.70%	5.97%		
ENDOWMENT VALUE - 36 month rolling average				
market value as of the beginning of the year*	\$162,731,957	\$155,336,070		
TUITION DISCOUNT RATE	50.3%	51.4%		

* = endowment value at 7/1/16 projected

Transylvania University
Pro Forma Budget
300 First Year Students

	Approved 2015/16 Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
Revenue:										
Tuition and fees	\$35,790,000	\$35,009,061	\$36,305,462	\$38,555,636	\$39,620,400	\$42,185,086	\$43,638,263	\$45,142,048	\$46,734,912	\$48,383,526
Less financial aid	-18,400,000	-17,625,088	-18,088,146	-19,052,081	-19,363,196	-20,428,588	-20,928,277	-21,437,919	-22,188,246	-22,964,835
Room and board	7,100,000	7,002,945	7,022,553	7,190,188	7,361,991	7,538,069	7,718,535	7,903,501	8,093,084	8,287,404
Gifts	2,205,000	2,000,000	2,050,000	2,101,250	2,153,781	2,207,626	2,262,816	2,319,387	2,377,372	2,436,806
Other revenue	650,000	666,250	682,906	699,979	717,478	735,415	753,801	772,646	791,962	811,761
Release from endowment	9,281,000	9,281,000	9,281,000	9,281,000	9,281,000	9,281,000	9,281,000	9,281,000	9,281,000	9,281,000
Investment Income - non endowment	75,000	82,500	90,750	99,825	109,808	120,788	132,867	146,154	160,769	176,846
Restricted gift income - non endowment	323,000	591,000	605,775	620,919	636,442	652,353	668,662	685,379	702,513	720,076
Auxiliary income	787,000	802,740	818,795	835,171	851,874	868,912	886,290	904,016	922,096	940,538
Total revenue	37,811,000	37,810,408	38,769,095	40,331,886	41,369,579	43,160,662	44,413,957	45,716,210	46,875,461	48,073,122
Expenses:										
Instruction	9,978,000	9,699,932	9,940,953	10,100,386	10,349,652	10,519,187	10,780,483	10,959,842	11,233,945	11,423,859
Research	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000	54,000
Academic support	4,651,000	4,665,468	4,756,289	4,830,046	4,941,366	5,027,395	5,143,969	5,234,562	5,356,698	5,452,149
Student services	5,138,000	5,096,581	5,195,468	5,276,989	5,398,811	5,494,135	5,621,777	5,722,205	5,856,013	5,961,876
Admissions	1,865,000	1,784,394	1,821,485	1,854,333	1,901,228	1,939,976	1,989,205	2,030,075	2,081,777	2,124,904
Institutional support	5,479,000	5,217,552	5,329,996	5,418,387	5,552,153	5,653,826	5,793,946	5,901,097	6,047,952	6,160,941
Interest	920,000	1,053,672	1,266,323	1,201,425	1,147,898	1,103,455	1,056,283	1,006,633	953,848	897,925
Plant	3,521,000	3,374,881	3,479,251	3,577,261	3,698,493	3,809,148	3,939,469	4,059,154	4,199,371	4,328,917
Depreciation	3,705,000	3,973,184	4,185,684	4,185,684	4,185,684	4,185,684	4,185,684	4,185,684	4,185,684	4,185,684
Auxiliary	3,400,000	3,476,378	3,578,479	3,684,117	3,799,307	3,915,500	4,038,589	4,162,884	4,294,463	4,427,473
Total Expenses	38,711,000	38,396,041	39,607,928	40,182,629	41,028,592	41,702,306	42,603,405	43,316,135	44,263,752	45,017,729
Net income	-900,000	-585,633	-838,833	149,258	340,987	1,458,356	1,810,553	2,400,075	2,611,709	3,055,392
Average Student FTE	1,024	954	953	980	972	1,001	1,001	1,001	1,001	1,001
Tuition Discount Rate - Overall	-51.41%	-50.34%	-49.82%	-49.41%	-48.87%	-48.43%	-47.96%	-47.49%	-47.48%	-47.46%
Cash flow:										
Operating loss	-900,000	-585,633	-838,833	149,258	340,987	1,458,356	1,810,553	2,400,075	2,611,709	3,055,392
Add back depreciation	3,705,000	3,973,184	4,185,684	4,185,684	4,185,684	4,185,684	4,185,684	4,185,684	4,185,684	4,185,684
Less bond principal	-1,176,571	-1,529,470	-1,834,176	-1,894,574	-1,480,367	-1,521,566	-1,568,181	-1,615,223	-1,662,704	-1,720,633
Available for capital budget	1,628,429	1,858,081	1,512,675	2,440,368	3,046,304	4,122,474	4,428,056	4,970,536	5,134,690	5,520,443

Transylvania University Proposed Capital Projects 2016-17 Projected 2017-18 to 2020-21				
		<u>2016-17 Planned</u>	<u>2016-17 Possible</u>	
A	421 North Broadway			
	1 Replace windows			
	2 Brickwork repair			
	3 Parking lot replacement			
	Beck			
	1 Replace fitness center flooring		\$71,732	
	2 Replace carpet in locker rooms		\$62,921	
	3 Replace furniture in Hall of Fame room			
	4 Replace recreation level lobby furniture			
	5 Replace recreation level carpet			
	6 Replace office area carpet			
	7 Video board			
	8 Replace lockers			
B	9 Replace scoreboards on recreational floor			
	10 Video board cameras and tri-caster			
	11 Additional metabolic carts for Exercise Science program			
	12 Repair deteriorating brick on handicap ramp			
	13 Washer/dryer replacements			
	Brown Science Center			
	1 Continuation of brick veneer repairs			
	2 Repair parapet wall that supports chimney			
	3 Install 24 electric outlets in hallways			
	4 Replace NMR (Nuclear magnetic resonance)			
	Campus Center (W.T. Young Campus Center)			
	1 Pool - replace underwater lighting		\$9,000	
	2 Pool - replace diving boards, ladders, axel system			
C	3 Replace swimming pool HVAC			
	Purchase event equipment for indoor and outdoor events (tables, chairs, coat racks)			
	4 Replace chairs in Conference Room A			
	6 Pool - replace boiler			
	Cowgill Building			
	1 Replace carpet in offices and common areas; repaint carpet and office areas; replace common area furniture			
	Forrer Hall			
	1 Cafeteria equipment - periodic replacement			
	2 Replace HVAC in dining area			
	3 Replace cooling tower/chillers			
	4 New dishwasher in dining facility			
	Fourth Street Athletic Facility			
	1 Track and field video board			
2 Men's lacrosse shot clock (NCAA requirement)		\$8,000		
D	General Campus			
	1 General authority for unforeseen projects		\$250,000	
	2 General authority for property acquisition		\$250,000	
	3 Bobcat for PPD			
	4 Periodic replacement of keyboard instruments			
	5 Periodic replacement of band instruments			
	6 Replace physical plant truck			
	7 Build replacement tennis courts for campus			
	8 Replace grounds/housekeeping equipment			

	9	Replace police vehicle			\$0,000	
I	10	New/coordinated campus signage Graham Cottage			\$50,000	\$50,000
J	1	Renovate interior space			\$260,000	
	2	Parking lot replacement			\$20,500	
K	Hall Field					
	1	Retrofit softball field for new NCAA regulations			\$1,400,000	
L	Information Technology					
	1	Document management system		\$90,000		
	2	Laptop replacement			\$30,000	\$30,000
	3	Audio visual replacement equipment			\$5,000	\$5,000
	4	Upgrade Chord serve and software		\$10,000		
	5	Security alarms for Graham, DPS alarm receiver and other campus locations			\$40,000	
	6	Network infrastructure upgrades to gigabyte and enhanced wireless support			\$60,000	
	7	Back up power for DPS and other areas for phone/network service during short power outages			\$25,000	
	8	Fireworks fire alarm monitoring station and setup0			\$35,000	
M	Library					
	1	Concrete repair/stop water infiltration			\$26,200	
	2	Replace cooling tower/chillers			\$200,000	
	3	Renovate main floor (phases II and III)			\$195,080	\$45,340
	4	Annual book acquisition budget		\$75,000	\$75,000	\$75,000
N	Little Marquard Field					
O	1	Roof and masonry repair			\$108,000	
	Rebuild game mound , home plate and bull pens; replace tarps				\$5,857	
P	1	Organ - minor repairs			\$17,000	
	2	Organ - major repairs		\$10,000	\$52,395	
	3	One new baby grand piano	\$0			
	4	Remove flashing , reset coping stone	\$20,000			
	5	Replace full roof	\$66,000		\$400,000	
	6	Parking lot replacement with 2' cap			\$48,000	
Q	Morrison					
	1	Replace front steps				\$130,000
	2	Upgrade bathrooms - particularly on the second floor				\$30,000
	3	Renovate first floor into Student Success Center			\$100,000	
R	Poole Residence Hall					
	1	Replace parking lot			\$40,000	
S	Rosenthal Residence Hall					
	1	Replace parking lot			\$20,000	
	2	Replace roof on commons building			\$17,000	
	3	Paint/furniture refresh of rooms			\$50,000	\$50,000
	4	Replace windows			\$25,000	\$25,000
T	Shearer					
	1	Concrete repair/stop water infiltration			\$7,800	
	2	Roof replacement			\$62,000	
	3	New kiln/kiln shelter				
U	Strickland Auditorium (Brown Science Center)					
	1	Light refresh			\$138,498	
V	Thomas Field					
	1	Repair fence			\$8,500	

2	Replace lacrosse netting	\$16,000							
			\$193,000	\$1,296,651	\$5,265,636	\$2,026,340	\$959,500	\$986,000	
<hr/>									
Pool for Remaining Funding (in priority order)									
First priority									
General Campus									
	Laptop replacements - additional	\$30,000							
	Signage - Transylvania sign	\$27,000							
MFA									
	Band instrument replacement	\$9,000							
		\$56,000							
Second priority									
Brown Science Center									
	17 - 20 card swipes for student use	\$27,000							
Campus Center									
	Back up pump for pool	\$35,000							
General Campus									
	Laptop replacements - additional	\$68,000							
	Grounds equipment replacement	\$29,167							
	New police vehicle	\$34,894							
		\$194,061							
Third priority									
Beck									
	Wall décor	\$10,000							
Fourth Street Athletic Complex									
	Trophy cases	\$5,837							
	Wall décor	\$15,000							
Library									
	Renovate space for writing center	\$112,478							
		\$143,315							
		\$403,376							
Total									
<hr/>									
Restricted Funds Funded									
Beck									
	Equipment for exercise science new hire (Bingham start up funds)								
	Replace performance gym lighting with LED - paid by the Green Revolving Loan Fund	\$78,450							
Brown Science Center									
	Chemistry equipment (Kresgee endowment)	\$15,000							
	Equipment for math new hire (Bingham start up funds)	\$5,000							
	Equipment for physics new hire (Bingham strat up Funds + Kresgee endowment)	\$25,000							
Information Technology									
	Laptop replacement (Kenan IT fund)	\$90,000							
Morrison									
	LED lighting retrofit - paid by the Green Revolving Loan Fund	\$69,079							
		\$282,529							
		\$0							
<hr/>									
					\$5,000				

2016 Candidates for Bachelor of Arts

Rebecca Margaret Adams	Cromwell David Castillo	Clay Daniel Guffey
Nathan Edward Addison II	James Hunter Cloud	Kaitlin Nicole Haggard
Carl Jefferson Agner	Katherine Elizabeth Coleman Cohron	Syedeza Ali Haider
Robert Stephen Albrecht	Chase Anthony Coleman	Jacob Tyler Hall
Meaghan Elizabeth Allen	Cayla Nicole Combs	Jacob Lee Hamilton
Alyssa Monica Anciro	Lauren Michelle Combs	Makayla Klaiber Hansman
Callie Ann Anderson	Evan Michael Congdon	Ryan Connell Hanson
Paige Montgomery Anness	Dylan Mackenzie Conner	Ryne Edward Hardesty
Alexander Mark Arnett	Kathryn Darby Cooksey	Rachel Elizabeth Harrison
Shelby Marie Auxier	Kristen Marie Cornish	Lauren Rose Hayes
Teresa Elaine Bailey	Nicole Christine Craigmile	Joseph Dillon Hensley
Anna Marie Balassa	Drew Tanner Cunningham	Nicholas James Herberth
James Carson Baughman III	Jonica Christina Davis	Lindsay Carol Hieronymus
Aubrey Kate Bausum	Taylor Brian Deaton	Kaitlyn Alexandra Hill
Rebecca Beasley	Heather Christine Dillander	Kathleen Marie Hindman
Quentin Abraham Stephen Becker	Jennifer Nicole Disponette	Thomas Marvin Hirn
Jessica Campbell Belock	Megan Elizabeth Dixon	Stephanie Ann Holstein
Hannah Marie Bennett	Ian Michael Donnelly	Michael Andrew Huelsman
Jessica Marie Bier	Clay Wells Douthat	Kaitlyn Marie Hulsman
Chloe Morgan Bingham	Frank Keiser Downing III	Ashley Judith Humphrey
Matthew James Birkenhauer	Samantha Haley Easterling	Ivana Austin Humphrey
EmaLea Ann Bischoff	Ann Elizabeth Edkins	Samuel David Ives
Brendan Joseph Bivens	Sara Alice Eison	Katherine Anne Jackel
Kaz Michael Blackwell	Olivia Brooklyn Ellis	Nicholas Grant Jackson
Nicholas Allen Blackwell	Haley Elizabeth Elliston	Hannah Linnea Jacky
Tabitha Dawn Boes	Micha Gayle Elmore	Rhianna Maris James
Kelsey Leann Bolger	Claire Ryan Emison	Madison Julia Jarvis
Alice Catherine Boos	Steven Same-Lindi Enohtanya	Brooke Charlotte Jennett
Raymond Benjamin Borja	Benjamin James Erwin	Aaron Morgan Johnson
Alexandra Patricia Botkin	Celsey Alexandra Fannin	Lauren Ashley Johnson
Taylor Nicole Bottom	Alexandra Catherine Felber	Rachel Lynn Johnson
Wilson Robert Boyer	Rachel Nichole Ferrill	Rachel Nicole Johnson
Cameron Samuel Brewer	Lucinda Constance Figueiredo	Sarah Ellen Jonas
William Jared Brewer	Anna Grace Fons	Hunter Price Jones
Jared Scott Brewington	Martha Louise Foster	Rachael Emily Jones
Andrew Carver Brown	Satchel Rees Fowler	Euisuk Jung
Audrey Renn Brown	Ashley Elaine Frees	Grace Kathryn Jung
Laura Ashley Kathryn Brown	Kristen LeeAnn Frost	Tram Thi Hoai K'
Tiara Lekyla Anaree Brown	Donald Chanslor Gallenstein	Kimiko Ann Kasama
Regan Makenzie Buckler	Katherine Elizabeth Gamblin	Faye Emily Katz
Joshua William Buckman	Elizabeth Lynne Garduno	Cameron Ellis Kelley
Alyssa Nicole Buerkley	McKenzie Delores Gearheart	Calais Pruitt McCray Klink
Elizabeth Victoria Burton	Casey Michael Gilligan	Shoshana Kolani
Macauley Jane Campbell	Taylor Marie Gilmore	Kelly Marie Kreutzjans
Sara Michaela Caperton	Lowell Tomes Gordon	Molly Michelle Kruse
Annemarie Elizabeth Carney	Hunter Mathias Grisso	Darrin Lee Laswell

Victoria Catesby Leibach	Trina Nicole Newman	Walter Allen Simpson III
Laurel Brienne Lietzenmayer	Amanda Gabrielle Newsome	Elizabeth Joy Sliker
John Mason Lilly	Jenna Elizabeth Nidiffer	Joshua Chamberlain Slone
Jiajie Lin	Ginna Maria Nilest	Olivia Claire Slusher
Yining Liu	Susan Leigh Northcutt	Courtney Elizabeth Smith
William Jordan Lloyd	Ashley Brianna Nugent	Katelyn Devonne Smith
Madison Alyse Lovern	Ashton Craig Ogle	Nicole Renee Smith
Olivia Anne Luken	Elizabeth Marshall Owens	Kara Rebecca Sparks
Jamie Lynn Lutes	Dylan Alexander Pahle	Logan Patterson Specht
Barton Hagerty Lynch	Ashley Hannah Paul	Tate Ellis Spivey
Lauren Elizabeth Lytle	Zoey Jene Peach	Cynthia Ellen Springer
Ashley Marie Mailloux	Maria Isabel Peña	Sara Elizabeth Sproull
Courtney Lynn Manies	Taylor Glen Petersen	Sara Elizabeth Staker
Laura Elizabeth Marcum	Kathryn Doris Pimentel	Parker Lee Stansberry
Erin Michelle Marek	Jordan Elizabeth Powell	Alison Paige Stevenson
Zachary Joseph Maughmer	Nicholas Andrew Puleo	Mary Katharine Stewart *
Nicholas Chadwick McCarthy	Caitlin Nicole Raley	Sierra Alexis Stewart
Elizabeth Ashley McIntyre	Daylyn Justice Sunshine Randolph	Mollie Shea Stocker
Peter Mandeville McKay	Trent Matthew Redmon	Kimberly Rose Strickland
Jeffrey Lewis Meade	Abby Rachelle Reed	Ryan Turner Sturm
Zachary Mark Meikle	Kathryn Starr Rice	Tiffanie Evalani Tagaloe
Danial Khalid Memon	William Joseph Rich	Ramsy Christyn Tandy
Lucy Marie Meredith	Joseph Michael Robinson	Caroline Codell Tarnofsky
Theresa Laney Mettens	Stephanie Andrea Robinson	Adrianne Michelle Tarpey
Jerod Dearl Metz	Benjamin Logan Rogers	Shelby Lynn Tennill
Kathryn Claire Mielcarek	Erin Christine Romito	Malory Elizabeth Thelen
Angelica Denise Miller	Travis Lee Rose	Breanna Gail Thompson
Benjamin Joseph Miller	Kody Clark Ross	Brittany Paralee Thompson
Erin Morgan Miller	Cesarina Rose Rounce	Michael Henry Thornberry
Lyndsey Grace Miller	Steele Isaac Rouse	Kayla Ashley Thurlow
Truman David Miller	Bianca Anastasia Rudnick	Erin Nicole Triplett
Ashley Colleen Montgomery	Christopher Alexander Saldaña	Yuwei Vivian Tsai
Kevin Shannon Moore	Christopher Ala Samaan	Jenna Mekensie Turner
Skyler Charles Moran	Maria Teresa Sawaya	Evan Kelley Wagner
Alex Janea Moreland	Stefani Diann Schrader	Cody Allen Waltrip
Marina Ann Morgan	Taylor Robert Schultz	Ashley Michelle Watson
Gabrielle Lynn Morguelan	Kameron Blake Schwartz	Emily Rosalena Wessel
Alexander William Morrelles	Alexandra Elizabeth Schwendau	John Alex Wesselman
Elizabeth Deane Mosley	Lydia Michele Shaughnessy	Whitney Nikole Williams
Samuel Thomas Mullen	James Matthew Shofner	Jessica LeAnne Wise
Clark Andrew Murray	Jessica Sue Shotwell	Laura Kelsey Wooldridge
David Benjamin Deane Neri	Richard Brandon Shufelt	Amber Noelle Woolery

Evan Kendall Wright
Lajeana Suzanne Wright

Stephanie Larie Wright
Matthew Alexander Wuerch

Eden Elise Laura Yeiser

*candidate for posthumous degree

Proposed Amendment to the By-Laws of the Faculty of Transylvania University

Emeritus Status

Under Faculty Appointments, section B.3, add a new subsection, section B.3.c, containing the following:

c. Emeritus: Emeritus status may be granted by the Board of Trustees upon the recommendation of the President and the Dean of the University to professors, without respect to rank, who retire after at least ten years of distinguished service as members of the faculty of Transylvania University. Before finals week of the final term of the emeritus candidate's employment, the Chair of the retiring faculty member's Division shall consult with members of the candidate's Division and write a letter regarding emeritus status, which shall be sent along with the candidate's curriculum vitae to the Personnel Committee. Prior to May Term, the Personnel Committee will forward its recommendation to the President and the Dean of the University. In formulating the recommendation, careful attention should be given to a candidate's dedication to his or her profession and recognized commitment to the university community, with the expectation that the individual will continue to represent the university positively during retirement. The President and the Dean may choose to seek the advice and counsel of the Personnel Committee and the Division Chairs regarding particular cases.

Faculty members granted emeritus status shall retain their email addresses and be granted emeritus faculty ID cards; shall, if available, have access to the library, cafeteria, fitness center, campus parking, and office space on campus; may apply to the Grants Allocation Committee for funding of professional activities; and may have clerical and IT support for their professional activities if available. They may enroll in one course per semester free of charge (based on spaces available).

Faculty with emeritus status are invited to participate in all formal academic occasions, most notably commencement of the year in which they retire, where they will be recognized. They shall be included in listings of the Transylvania University faculty and shall be eligible to march in academic processions.

Rationale for the proposed amendment. The By-Laws do not currently contain a procedure for granting emeritus status or a statement of the benefits associated with this status. This proposed revision addresses that omission.

Approved by Transylvania University Faculty, May 26, 2016.

BOARD OF TRUSTEES BUSINESS MEETING MOTION

TITLE OF MOTION:

Acceptance of Annual Audit

ACTION REQUESTED: ___FIRST READ XBOARD VOTE

COMMITTEE RECOMMENDATION: Finance Committee

MOTION

On behalf of the Finance Committee, we recommend acceptance of the external audit for the year ended June 30, 2016 as presented.

PREPARED BY: NAME Marc Mathews

TITLE Vice President for Finance and Business

EMAIL mmathews@transy.edu

TRANSYLVANIA UNIVERSITY

**COMMUNICATION WITH THOSE CHARGED WITH
GOVERNANCE AND OTHER MATTERS**

JUNE 30, 2016



Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

To the Finance Committee
Transylvania University
Lexington, Kentucky

Dear Finance Committee Members:

We have audited the consolidated financial statements of Transylvania University (the University) for the year ended June 30, 2016, and have issued our report thereon dated as of the date of this letter. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter of August 16, 2016. Professional standards also require that we communicate to you the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND GOVERNMENT AUDITING STANDARDS

As stated in our engagement letter dated March 1, 2016, our responsibility, as described by professional standards, was to express an opinion about whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our responsibility was to plan and perform the audit to obtain reasonable, but not absolute, assurance that the consolidated financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the University. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. Our audit of the consolidated financial statements does not relieve you or management of your responsibilities.

SIGNIFICANT AUDIT FINDINGS

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the University are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus. We noted no significant transactions that have been recognized in the consolidated financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

Management's estimate of the allowance for doubtful accounts is evaluated on a regular basis and is based upon periodic review of the collectability of the receivables in light of historical experience and various facts and circumstances pertinent to customers.

Management's estimate of the fair value of pledges receivable is based on historical collection rates and an analysis of the collectability of individual pledges. Pledges are discounted to their net realizable value based on the University's current cost of capital in the year of the pledge.

Management's estimate of the future useful lives of fixed assets is based on a reasonable life expectancy that is consistent with previous experience.

Management's estimate of annuity gifts and liabilities is calculated and recorded using the discount rates and estimates of life expectancies of the annuitants as provided by the investment managers.

Management's estimate of unpaid claims at year end for self-funded health coverage is based on claims data for subsequent months and an estimate of amounts incurred but not reported at year end.

We evaluated the key factors and assumptions used to develop the above estimates in determining that each is reasonable in relation to the financial statements taken as a whole. We believe the disclosures in the consolidated financial statement are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the consolidated financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the consolidated financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated as of the date of this letter.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all of the relevant facts. To our knowledge, there were no such consultations.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This communication is intended solely for the information and use of management, the board of directors, and others within the University, and is not intended to be and should not be used by anyone other than those specified parties.

We appreciate this opportunity to be of service and extend our thanks to everyone at the University for their cooperation and assistance. We would be pleased to discuss any of the above matters with you at your convenience.

Blue & Co., LLC

September 16, 2016

TRANSYLVANIA UNIVERSITY

Waived adjustments

As of and for the year ended June 30,2016

<u>Description</u>	<u>Dr.</u>	<u>Cr.</u>
Management fees	\$ 750,000	
Donated services		\$ 750,000

To record donated services for endowment management fees.

Net assets	\$ 374,000	
Salaries and wages	4,000	
Accrued payroll		\$ 378,000

To record accrued vacation at year end.

Liability for self-insured health benefits	\$ 612,000	
Net assets		\$ 434,000
Health insurance expense		178,000

To agree liability for self-insurance to third-party report.

Waived adjustments

As of and for the year ended June 30,2015

<u>Description</u>	<u>Dr.</u>	<u>Cr.</u>
Management fees	\$ 740,000	
Donated services		\$ 740,000

To record donated services for endowment management fees.

Net assets	\$ 349,000	
Salaries and wages	25,000	
Accrued payroll		\$ 374,000

To record accrued vacation at year end.

Liability for self-insured health benefits	\$ 434,000	
Health insurance expense		\$ 434,000

To agree liability for self-insurance to third-party report.

Above amounts are rounded.



TRANSYLVANIA
UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

TRANSYLVANIA UNIVERSITY

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Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Transylvania University
Lexington, Kentucky

We have audited the accompanying consolidated financial statements of Transylvania University (the University, a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

To the Board of Trustees
Transylvania University
Lexington, Kentucky

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blue & Co., LLC

Lexington, Kentucky
September 16, 2016

TRANSYLVANIA UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

ASSETS

	2016	2015
Cash and cash equivalents	\$ 1,140,679	\$ 814,298
Cash and cash equivalents - restricted	1,875,021	2,144,605
Accounts receivable, net	515,385	624,043
Prepaid expenses and other assets	991,084	1,290,038
Pledges receivable, net	1,299,410	641,447
Loans receivable, net	2,146,489	2,161,341
Investments - at fair market value	170,779,696	169,691,696
Restricted investments - at fair market value	4,179,197	-0-
Assets held in trust by others	1,360,524	1,452,216
Land, buildings and equipment, net	86,547,717	78,346,328
Bond issuance costs, net of accumulated amortization of \$292,092 and \$262,177 in 2016 and 2015, respectively	418,240	345,228
	<u>\$ 271,253,442</u>	<u>\$ 257,511,240</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 2,538,502	\$ 2,435,333
Accrued liabilities	2,361,088	2,089,733
Deferred revenues	2,092,498	1,767,469
Lines of credit	1,900,000	2,000,000
Deposits held in custody	45,107	41,738
Advances from federal government for student loans	2,233,280	2,241,981
Annuities payable	809,298	811,055
Bonds payable	37,161,676	25,520,000
Total liabilities	49,141,449	36,907,309
Net assets:		
Unrestricted:		
Board-designated	4,469,947	4,040,054
Undesignated	36,257,730	38,424,054
Total unrestricted	40,727,677	42,464,108
Temporarily restricted	108,014,989	105,519,512
Permanently restricted	73,369,327	72,620,311
Total net assets	222,111,993	220,603,931
	<u>\$ 271,253,442</u>	<u>\$ 257,511,240</u>

See accompanying notes to consolidated financial statements.

TRANSYLVANIA UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
Tuition and fees	\$ 35,446,296	\$	\$	\$ 35,446,296
Auxiliary - room and board	6,861,567			6,861,567
Institutional scholarship allowance	(18,451,283)			(18,451,283)
Net tuition and fees	23,856,580	-0-	-0-	23,856,580
Gifts	1,669,847	516,186		2,186,033
Investment return designated for current operations	328,718	8,952,282		9,281,000
Auxiliary - other	810,567			810,567
Other revenues	596,321	76,234		672,555
Net assets released from restrictions	8,535,475	(8,535,475)		-0-
Total operating revenues	35,797,508	1,009,227	-0-	36,806,735
Operating expenses:				
Instruction	11,578,988			11,578,988
Research	23,635			23,635
Academic support	5,044,847			5,044,847
Student services	6,693,942			6,693,942
Student recruiting/admissions	1,866,868			1,866,868
Institutional support	6,546,934			6,546,934
Auxiliary enterprises	6,184,478			6,184,478
Total operating expenses	37,939,692	-0-	-0-	37,939,692
Change in net assets from operations	(2,142,184)	1,009,227	-0-	(1,132,957)
Nonoperating activities:				
Investment return, net	(713,055)	533,688	51,766	(127,601)
Change in assets held in trust by others			(91,692)	(91,692)
Other expenses	(94,684)			(94,684)
Change in annuities payable	(13,213)	(58,086)	(57,323)	(128,622)
Gifts		1,963,760	1,119,858	3,083,618
Net assets released from restrictions	1,226,705	(953,112)	(273,593)	-0-
Change in net assets from nonoperating activities	405,753	1,486,250	749,016	2,641,019
Total changes in net assets	(1,736,431)	2,495,477	749,016	1,508,062
Net assets, beginning of year	42,464,108	105,519,512	72,620,311	220,603,931
Net assets, end of year	<u>\$ 40,727,677</u>	<u>\$ 108,014,989</u>	<u>\$ 73,369,327</u>	<u>\$ 222,111,993</u>

See accompanying notes to consolidated financial statements.

TRANSYLVANIA UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
Tuition and fees	\$ 33,269,472	\$	\$	\$ 33,269,472
Auxiliary - room and board	6,644,816			6,644,816
Institutional scholarship allowance	(16,773,328)			(16,773,328)
Net tuition and fees	23,140,960	-0-	-0-	23,140,960
Gifts	1,654,834	690,601		2,345,435
Investment return designated for current operations	310,426	8,970,574		9,281,000
Auxiliary - other	847,986			847,986
Other revenues	692,112	79,157		771,269
Net assets released from restrictions	8,319,105	(8,319,105)		-0-
Total operating revenues	34,965,423	1,421,227	-0-	36,386,650
Operating expenses:				
Instruction	11,933,697			11,933,697
Research	37,752			37,752
Academic support	4,753,116			4,753,116
Student services	6,527,024			6,527,024
Student recruiting/admissions	1,974,514			1,974,514
Institutional support	6,489,297			6,489,297
Auxiliary enterprises	7,126,981			7,126,981
Total operating expenses	38,842,381	-0-	-0-	38,842,381
Change in net assets from operations	(3,876,958)	1,421,227	-0-	(2,455,731)
Nonoperating activities:				
Investment return, net	(652,546)	(3,195,648)	53,610	(3,794,584)
Change in assets held in trust by others			(59,380)	(59,380)
Other expenses	(22,269)			(22,269)
Change in annuities payable	(14,079)	9,851	(2,799)	(7,027)
Gifts		1,505,454	1,030,225	2,535,679
Net assets released from restrictions	357,655	(357,655)		-0-
Change in net assets from nonoperating activities	(331,239)	(2,037,998)	1,021,656	(1,347,581)
Total changes in net assets	(4,208,197)	(616,771)	1,021,656	(3,803,312)
Net assets, beginning of year	46,672,305	106,136,283	71,598,655	224,407,243
Net assets, end of year	<u>\$ 42,464,108</u>	<u>\$ 105,519,512</u>	<u>\$ 72,620,311</u>	<u>\$ 220,603,931</u>

See accompanying notes to consolidated financial statements.

TRANSYLVANIA UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 1,508,062	\$ (3,803,312)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization expense	3,543,638	4,787,553
Loss on disposal of equipment	146,560	-0-
Amortization of bond issuance costs	29,916	36,947
Net realized and unrealized gains on investments	(5,570,187)	(2,080,869)
Proceeds from sales of non-donor restricted assets	385,567	280,001
Depreciable property received as gift in kind	-0-	(15,000)
Provision for losses on uncollectible accounts:		
Accounts receivable	3,084	(21,868)
Loans receivable	10,966	25,591
Contributions restricted for long-term investment	(3,083,618)	(2,535,679)
Decrease in assets held in trust by others	91,692	59,380
Computational adjustment of annuity liabilities	152,230	12,145
Donated securities	(1,269,000)	(1,557,549)
Changes in assets and liabilities:		
Accounts receivable	105,574	(324,215)
Pledges receivable	(657,963)	313,971
Prepaid expenses and other assets	298,954	(386,281)
Accounts payable	(1,955,020)	(214,476)
Deposits held in custody	3,369	(60,692)
Accrued liabilities	271,355	(29,684)
Deferred revenues	325,029	(168,549)
Net cash flows from operating activities	<u>\$ (5,659,793)</u>	<u>\$ (5,682,586)</u>
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(9,842,398)	(9,175,955)
Proceeds from disposal of buildings and equipment	9,000	-0-
Purchases of investments	(25,509,470)	(10,910,045)
Sales and maturities of investments	30,859,000	15,889,621
Student loans issued	(338,091)	(420,700)
Student loans repaid	341,977	381,689
Net cash flows from investing activities	<u>\$ (4,479,982)</u>	<u>\$ (4,235,390)</u>

See accompanying notes to consolidated financial statements.

TRANSYLVANIA UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2016 AND 2015

Cash flows from financing activities:

Proceeds from contributions restricted for long-term investment and capital purposes	3,083,618	2,535,679
Proceeds from sale of donor restricted assets	-0-	1,214,937
Proceeds from the issuance of bonds payable	15,467,479	6,850,000
Payment of bond issuance costs	(207,581)	(104,653)
Extinguishment of debt	104,653	-0-
Proceeds from issuance of notes payable	-0-	2,000,000
Change in advances from federal government for student loans	(8,701)	(29,511)
Principal payments on notes payable	(100,000)	-0-
Principal payments on bonds payable	(8,005,000)	(1,475,000)
Payments of annuity obligations	(151,986)	(131,542)
Receipt of new annuity contributions	14,089	35,600
Net cash flows from financing activities	<u>\$ 10,196,572</u>	<u>\$ 10,895,510</u>
Net change in cash and cash equivalents	56,797	977,534
Cash and cash equivalents, beginning of year	<u>2,958,903</u>	<u>1,981,369</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,015,700</u></u>	<u><u>\$ 2,958,903</u></u>

Supplemental disclosures of non-cash investing activities

Cash paid during the year for:		
Interest	\$ 829,381	\$ 739,602
Non-cash investing and financing transactions:		
Buildings and equipment financed with accounts payable	\$ 2,058,189	\$ 1,444,135
Donated property and equipment	\$ -0-	\$ 15,000

See accompanying notes to consolidated financial statements.

TRANSLYVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

1. NATURE OF BUSINESS AND PRINCIPLES OF CONSOLIDATION

Transylvania University (the University) is a coeducational, four-year, liberal arts university located in the heart of Lexington, Kentucky. The University is organized and operated as a not for profit corporation under the laws of the Commonwealth of Kentucky.

The University was founded in 1780 by an Act of the General Assembly of Virginia (of which Kentucky was then a part) and was both the sixteenth college in the United States and the first college west of the Allegheny Mountains. Its alumni include two United States Vice Presidents, 50 United States Senators, and 36 Governors. Henry Clay was both a law professor and a member of Transylvania's board of trustees.

The University works diligently to enhance the educational experience of its students. The University, which has long been noted for its strong liberal arts curriculum, also provides academic majors in such areas as computer science and business administration, as well as pre-professional programs and career counseling in all areas. The University's pre-medical studies program has received national attention for the high rate of admittance of its students to medical schools. To better serve its students, the University has established innovative scholarship and faculty development programs.

The accompanying consolidated financial statements include the accounts of the University, the Bingham Fund for Excellence in Teaching (see Note 16), and Town Properties, LLC, a single member limited liability corporation 100% owned by the University. Intercompany transactions and balances have been eliminated in consolidating these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which require management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

The following is a summary of the significant accounting policies based on the Financial Accounting Standards Board's (FASB) Accounting Standards Codification and is consistently followed by the University in the preparation of its consolidated financial statements.

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Accrual Basis

The consolidated financial statements of the University have been prepared on the accrual basis of accounting.

Basis of Presentation

The University follows GAAP as established by the FASB. Under these standards, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. The donors of these assets generally permit the University to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Restricted cash and cash equivalents represent the proceeds from gifts and long-term debt that await expenditure on capital projects and also include amounts maintained in separate accounts for advances from federal and state governments and for the Perkins Loan Program. Cash and cash equivalents which are held for endowment purposes are included as investments.

Accounts Receivable

Accounts receivable include student accounts receivable and other receivables. Student accounts receivable represent amounts due for tuition, fees, and room and board from currently enrolled and former students. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Investments

Investments are initially recorded at acquisition cost when purchased or at market value at the date of acquisition when received by gift. Investments are adjusted to market value at reporting dates, and unrealized gains and losses are then recognized. Securities not publicly traded, if any, are stated at estimated market value.

Restricted Investments

Restricted investments consist solely of state and local government securities certificates and notes that have been purchased and deposited in an escrow account with the bond trustee of the Series 2009A bonds. These investments are restricted for the payment of interest on the Series 2009A bonds up to and including the call date of March 1, 2019 and the principal for all bonds maturing on or after March 1, 2020.

Loans Receivable

Loans receivable consists primarily of amounts loaned to qualified students through the Federal Perkins Loan Program (Program) and administered by the University. These loans receivable are carried at unpaid principal balances, less an allowance for uncollectible loans. Management's periodic evaluation of the adequacy of the allowance is based primarily on Program requirements, the University's past loan loss experience, specifically impaired loans, and adverse situations that may affect the borrower's ability to repay. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with contractual terms. The allowance represents an amount, which, in management's judgment, is sufficient to absorb loans that may ultimately be written off.

The Program provides for cancellation of loans if the borrower complies with certain Program provisions. The federal government reimburses the University for amounts canceled under these provisions. The University's practice is to write off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, or for other reasons. As the University determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education.

Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off. Interest income on nonaccrual loans is recognized only to the extent cash payment is received. Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Assets Held in Trust by Others

Assets held in trust by others represent resources neither in the possession nor under the control of the University, but held and administered by outside trustees, with the University deriving only income from such funds.

Such investments are recorded in the consolidated statements of financial position at the fair market value of the principal amounts, and the income, including fair value adjustments, is recorded in the consolidated statements of activities.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost, or if donated, at fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from five to forty years. All assets costing greater than \$5,000 and with a life longer than one year are capitalized.

Works of Art and Historical Treasures

All collections of works of art, historical treasures, and similar assets are capitalized. It is the University's policy to recognize works of art as a capital asset because the items are held for public exhibition rather than financial gain. However, such assets are not subject to depreciation.

Self-Insurance

The University is primarily self-insured for health insurance costs, with losses insured in excess of a maximum amount on both a per claim and annual aggregate claim amount. The self-insurance liability is based on claims filed and an estimate of claims incurred but not yet reported.

Advances from Federal Government for Student Loans

Funds provided by the United States government under the Perkins Loan Program are loaned to qualified students and may be re-loaned after collections. These funds are ultimately refundable to the government and are, therefore, recorded as a liability in the accompanying consolidated financial statements. Federally funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the University.

Annuities Payable

The University pays stipulated amounts periodically to individuals (annuitants) who have given to the University certain assets and who have entered into an agreement that such payments cease at the death of the annuitant. Total annuity

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

payments for the years ended June 30, 2016 and 2015 were \$151,986 and \$131,542, respectively.

The June 30, 2016 and 2015 annuity liabilities balances of \$809,298 and \$811,055, respectively, are the present values of the periodic payments to the annuitants based on the life expectancies of the annuitants and interest rates ranging from 5% to 11.1% in 2016 and 2015. The estimated remaining life expectancies of the annuitants range from two to 15 years in 2016 and one to 18 years in 2015.

Tuition and Fees

Tuition and fees are recorded in the applicable enrollment period. Tuition and fee payments received by the University in advance of the enrollment period are included in deferred revenues. Because the University has not incurred any additional cost in providing financial aid to students, institutional scholarship allowances are recorded as a reduction of tuition and fees rather than as an expense of the University. Tuition and fee waivers provided to University employees are recorded as tuition revenue and are offset by an employee benefit expense.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. The University has not adopted a policy regarding time-restrictions on long-lived assets. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible pledges receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The gifts are reported as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as temporarily restricted contributions and subsequently reported as net assets released from restrictions in the accompanying consolidated financial statements.

Operations

The consolidated statements of activities reports the change in net assets from operating and non-operating activities. Operating revenues consist of substantially all the activity of the University except for certain items specifically considered to be of a non-operating nature as described hereafter. Gifts included with non-operating activities consist of gifts restricted for the acquisition of capital assets and other purposes, and gifts restricted to endowment funds. Non-operating activities also include realized and unrealized gains and losses on investments, long-term investment income from endowment gains which are not allocated to operations, increases in interest of perpetual trusts and other significant items of an unusual or nonrecurring nature.

Interest Expense

Interest expense, net of amounts capitalized, for the years ended June 30, 2016 and 2015 was \$873,012 and \$744,097, respectively, and is allocated to operating expenses by functional category.

Tax Exempt Status

Transylvania University is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code. The accounts of Town Properties, LLC are included in the federal information return for Transylvania University as an ignored entity for tax purposes. The Bingham Fund For Excellence in Teaching is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code and files a separate return.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the University and recognize a tax liability if the University has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the University, and has concluded that as of June 30, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

The University has filed all tax returns for periods through June 30, 2015 and is subject to routine audits by taxing jurisdictions. However, as of the date the financial statements were available to be issued, there were no audits for any tax

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

periods in progress. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Contingencies

The University is subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance and, if not so covered, are without merit or are of such kind, or involve such amounts as would not have a significant effect on the financial position or results of operations of the University if disposed of unfavorably.

Subsequent Events

The University evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through September 16, 2016, which is the date the financial statements were issued.

3. ACCOUNTS AND LOANS RECEIVABLE AND RELATED CREDIT QUALITY

Accounts Receivable

The University has provided an allowance for uncollectible student accounts receivable amounting to \$31,508 and \$9,854 at June 30, 2016 and 2015, respectively.

Loans Receivable

The majority of the University's financing receivables consist of a revolving loan fund for Federal Perkins Loan Program for which the University acts as an agent for the federal government and an institutional loan fund created by the University to assist students in funding their education. At June 30, 2016 and 2015, student loans receivable represented 0.77% and 0.84% of total assets, respectively.

The availability of funds for loans under the Federal Perkins Loan Program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds held in the Federal Perkins Loan Program of \$2,233,280 and \$2,241,981 at June 30, 2016 and 2015, respectively, are ultimately refundable to the federal government and are classified as liabilities in the consolidated statements of financial position. Student loans under the Federal Perkins Loan Program can be assigned to the federal government when no longer collectible, and, therefore,

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

when they are written off, they reduce the amount refundable to the federal government.

Balances of financing receivables at June 30:

	2016		
	Federal Perkins Loan Program Receivables	Institutional Loans	Total
Financing receivables:			
Ending balance	<u>\$ 2,146,489</u>	<u>883,455</u>	<u>\$ 3,029,944</u>
Ending balance:			
Individually evaluated for impairment	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Ending balance:			
Collectively evaluated for impairment	<u>\$ 2,146,489</u>	<u>\$ 883,455</u>	<u>\$ 3,029,944</u>
	2015		
	Federal Perkins Loan Program Receivables	Institutional Loans	Total
Financing receivables:			
Ending balance	<u>\$ 2,161,341</u>	<u>\$ 902,026</u>	<u>\$ 3,063,367</u>
Ending balance:			
Individually evaluated for impairment	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Ending balance:			
Collectively evaluated for impairment	<u>\$ 2,161,341</u>	<u>\$ 902,026</u>	<u>\$ 3,063,367</u>

For each class of financing receivable, the following table presents the recorded investment by credit quality indicator as of June 30:

	2016		
	Federal Perkins Loan Program Receivables	Institutional Loans	Total
Performing	\$ 2,146,489	\$ 883,455	\$ 3,029,944
Non-performing	-0-	-0-	-0-
	<u>\$ 2,146,489</u>	<u>\$ 883,455</u>	<u>\$ 3,029,944</u>
	2015		
	Federal Perkins Loan Program Receivables	Institutional Loans	Total
Performing	\$ 2,161,341	\$ 902,026	\$ 3,063,367
Non-performing	-0-	-0-	-0-
	<u>\$ 2,161,341</u>	<u>\$ 902,026</u>	<u>\$ 3,063,367</u>

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

For student loans, the credit quality indicator is performance determined by the delinquency status and, for the Federal Perkins Loan Program, origination and servicing of the loan. Delinquency status is updated monthly by the University's loan servicer. Perkins loans that are originated and serviced properly under Department of Education regulations can be assigned to the Department of Education when deemed no longer collectible. The University is not aware of any material amount of loans not properly originated or serviced under Department of Education regulations.

Allowances for estimated losses are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Loan balances are written off only when they are deemed to be permanently uncollectible. The University determines the allowance for estimated losses on these financing receivables by looking at historical default rates and analyzing the aging of past due loans. All non-performing loans are included in the allowance for estimated losses. Loans are considered past due based on contractual terms.

Changes in the allowance for estimated losses on financing receivables in the aggregate for the year ended June 30:

	2016		
	Federal Perkins Loan Program Receivables	Institutional Loans	Total
Allowance for credit losses:			
Beginning balance	\$	\$ 902,026	\$ 902,026
Charge-offs	(10,966)		(10,966)
Recoveries		(18,571)	(18,571)
Provision	10,966		10,966
Ending balance	<u>\$ -0-</u>	<u>\$ 883,455</u>	<u>\$ 883,455</u>
Ending balance:			
Individually evaluated for impairment	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Ending balance:			
Collectively evaluated for impairment	<u>\$ -0-</u>	<u>\$ 883,455</u>	<u>\$ 883,455</u>

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	2015		
	Federal Perkins Loan Program Receivables	Institutional Loans	Total
Allowance for credit losses:			
Beginning balance	\$	\$ 916,660	\$ 916,660
Charge-offs	(25,591)		(25,591)
Recoveries		(14,634)	(14,634)
Provision	25,591		25,591
Ending balance	<u>\$ -0-</u>	<u>\$ 902,026</u>	<u>\$ 902,026</u>
Ending balance:			
Individually evaluated for impairment	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Ending balance:			
Collectively evaluated for impairment	<u>\$ -0-</u>	<u>\$ 902,026</u>	<u>\$ 902,026</u>

The aging of the financing receivables portfolio by classes as of June 30:

	2016				
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Current	Total
Federal Perkins Loan program receivables	\$ 22,491	\$ 20,853	\$ 221,837	\$ 1,881,308	\$ 2,146,489
Institutional loans				883,455	883,455
	<u>\$ 22,491</u>	<u>\$ 20,853</u>	<u>\$ 221,837</u>	<u>\$ 2,764,763</u>	<u>\$ 3,029,944</u>

	2015				
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Current	Total
Federal Perkins Loan program receivables	\$ 31,839	\$ 4,252	\$ 253,971	\$ 1,871,279	\$ 2,161,341
Institutional loans				902,026	902,026
	<u>\$ 31,839</u>	<u>\$ 4,252</u>	<u>\$ 253,971</u>	<u>\$ 2,773,305</u>	<u>\$ 3,063,367</u>

The impairment of the student loan portfolio as of June 30:

	2016				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Federal Perkins Loan program receivables	\$	\$	\$	\$	\$
Institutional loans		883,455	883,455		
	<u>\$ -0-</u>	<u>\$ 883,455</u>	<u>\$ 883,455</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

	2015				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Federal Perkins Loan program receivables	\$	\$	\$	\$	\$
Institutional loans		902,026	902,026		
	<u>\$ -0-</u>	<u>\$ 902,026</u>	<u>\$ 902,026</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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4. INVESTMENTS

Investments consist of the following as of June 30:

	2016		2015	
	Market	Cost	Market	Cost
Money market funds	\$ 4,149,716	\$ 4,149,716	\$ 20,367,589	\$ 20,367,589
U.S. Government and government agency debt securities	16,740,920	16,740,920	229,227	226,003
Corporate and government mutual funds	1,200,036	1,235,479	570,863	583,544
Large cap U.S. equity securities	138,676,662	53,068,888	132,751,457	52,839,196
Mid/Small cap U.S. equity securities	640,071	406,878	1,008,174	621,428
Non-U.S. equity securities	12,837,578	9,697,167	14,232,250	9,737,986
Other securities	713,910	421,596	532,136	311,731
	<u>\$ 174,958,893</u>	<u>\$ 85,720,644</u>	<u>\$ 169,691,696</u>	<u>\$ 84,687,477</u>

Investment return consists of the following for the years ended June 30:

	2016	2015
Dividends and interest income	\$ 3,699,620	\$ 3,508,336
Net unrealized gains	4,971,796	1,823,004
Net realized gains	616,847	289,591
Investment fees	(134,864)	(134,515)
Total return on investments	9,153,399	5,486,416
Investment return designated for current operations	(9,281,000)	(9,281,000)
Investment return reinvested	<u>\$ (127,601)</u>	<u>\$ (3,794,584)</u>

Endowment Investment and Spending Policies

The University's endowment consists of approximately 280 individual funds established for a variety of purposes. The University's endowment funds support current operations, scholarships, the William T. Young Scholarship program, the Bingham Program for Excellence in Teaching, and the David and Betty Jones Fund for Faculty Development. The endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this

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interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in determining whether to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the University, and (7) the University's investment policies.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by the endowment, while seeking to maintain the purchasing power of these endowment assets over the long-term. The University's spending and investment policies work together to achieve these objectives. The investment policy charges the Board of Trustees' investment committee to consider such asset management strategies as asset allocation, preservation of principal, long-term growth, liquidity, amount and stability of income, diversification, professional management and transactions fees. The investment committee may direct liquidation or purchase of investments and may retain investment advisory services for any account or fund comprising the University's endowment.

The University utilizes the "total return" concept for endowment and similar funds. This concept recognizes dividends and interest, plus or minus realized and unrealized gains or losses, in determining the total return earned during any particular period. The Board of Trustees authorizes an annual maximum spending rate of endowment funds earnings for current use (spending rate). The spending rate calculates the amount of money distributed annually from the University's various endowed funds for support of University programs. The current spending policy is to distribute up to 5% of the average market value of the endowment over the preceding 36 months. Distributions in excess of the 5% spending policy must be approved by the Finance Committee and the Board of Trustees. The actual spending rate in 2016 and 2015 was 5.97% and 6.63%, respectively. Total returns of \$9,281,000 from the endowment and similar funds were allocated for operations for the years ended June 30, 2016 and 2015, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with

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GAAP, deficiencies of this nature are reported in unrestricted net assets. Such deficiencies totaled \$2,660,622 and \$2,101,146 as of June 30, 2016 and 2015, respectively. These deficiencies result from unfavorable market value fluctuations that occurred after the investment of new permanently restricted and quasi endowment funds or continued appropriation to support programs in accordance with donor intent.

Endowment net asset composition by type of fund as of June 30:

2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ (2,660,622)	\$ 95,944,873	\$ 69,572,466	\$ 162,856,717
Board designated endowment funds	4,469,947			4,469,947
	<u>\$ 1,809,325</u>	<u>\$ 95,944,873</u>	<u>\$ 69,572,466</u>	<u>\$ 167,326,664</u>

2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ (2,101,146)	\$ 95,662,634	\$ 68,496,608	\$ 162,058,096
Board designated endowment funds	4,040,054			4,040,054
	<u>\$ 1,938,908</u>	<u>\$ 95,662,634</u>	<u>\$ 68,496,608</u>	<u>\$ 166,098,150</u>

Changes in endowment net assets for the year ended June 30:

2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,938,908	\$ 95,662,634	\$ 68,496,608	\$ 166,098,150
Contributions			1,396,348	1,396,348
Investment return, net		3,613,095		3,613,095
Net appreciation of investments	141,450	5,411,479		5,552,929
Adjustments	(50,776)	(2,082)		(52,858)
Reclassifications	617,161	(296,671)	(320,490)	-0-
Change in underwater endowment values	(508,700)	508,700		-0-
Amount appropriated for expenditure	(328,718)	(8,952,282)		(9,281,000)
Endowment net assets, end of year	<u>\$ 1,809,325</u>	<u>\$ 95,944,873</u>	<u>\$ 69,572,466</u>	<u>\$ 167,326,664</u>

2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,576,452	\$ 98,859,184	\$ 67,579,397	\$ 169,015,033
Contributions			917,211	917,211
Investment return, net		3,373,780		3,373,780
Net appreciation of investments	119,018	1,954,108		2,073,126
Change in underwater endowment values	(446,136)	446,136		-0-
Amount appropriated for expenditure	(310,426)	(8,970,574)		(9,281,000)
Endowment net assets, end of year	<u>\$ 1,938,908</u>	<u>\$ 95,662,634</u>	<u>\$ 68,496,608</u>	<u>\$ 166,098,150</u>

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5. RESTRICTED INVESTMENTS

Restricted investments consist of the following as of June 30:

	2016	
	Market	Cost
U.S. Government and government agency debt securities	<u>\$ 4,179,197</u>	<u>\$ 4,179,197</u>

6. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

- Money market funds: Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV) however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund. (Level 1 inputs)
- Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded. (Level 1 inputs)
- Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the University are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the University are deemed to be actively traded. (Level 1 inputs)
- U.S. government securities: Valued using pricing models maximizing the use of observable inputs for similar securities. (Level 1 inputs)
- Assets held in trust by others: Valued at fair value as reported by the trustee, which represents the University's pro rata interest in the net assets of the trust, substantially all of which are valued on a mark-to-market basis. (Level 3 inputs)
- Annuities payable: Valued using contractual payment rate percentages and life expectancy tables. (Level 2 inputs)

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The following table sets forth by level, within the hierarchy, the University's assets and liabilities measured at fair value on a recurring basis as of June 30:

	2016			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Money market funds	\$ 4,149,716	\$ 4,149,716	\$	\$
U.S. Government and government agency debt securities	16,740,920	16,740,920		
Corporate and government mutual funds	1,200,036	1,200,036		
Large cap U.S. equity securities	138,676,662	138,676,662		
Mid/Small cap U.S. equity securities	640,071	640,071		
Non-U.S. equity securities	12,837,578	12,837,578		
Other securities	713,910	713,910		
Assets held in trust by others	1,360,524			1,360,524
Total assets at fair value	<u>\$ 176,319,417</u>	<u>\$ 174,958,893</u>	<u>\$ -0-</u>	<u>\$ 1,360,524</u>
Liabilities				
Annuities payable	<u>\$ 809,298</u>	<u>\$ -0-</u>	<u>\$ 809,298</u>	<u>\$ -0-</u>
	2015			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Money market funds	\$ 20,367,589	\$ 20,367,589	\$	\$
U.S. Government and government agency debt securities	229,227	229,227		
Corporate and government mutual funds	570,863	570,863		
Large cap U.S. equity securities	132,751,457	132,751,457		
Mid/Small cap U.S. equity securities	1,008,174	1,008,174		
Non-U.S. equity securities	14,232,250	14,232,250		
Other securities	532,136	532,136		
Assets held in trust by others	1,452,216			1,452,216
Total assets at fair value	<u>\$ 171,143,912</u>	<u>\$ 169,691,696</u>	<u>\$ -0-</u>	<u>\$ 1,452,216</u>
Liabilities				
Annuities payable	<u>\$ 811,055</u>	<u>\$ -0-</u>	<u>\$ 811,055</u>	<u>\$ -0-</u>

For financial assets valued using Level 3 inputs, the fair value of assets held in trust by others is valued based on the fair value of the assets held in the perpetual trust. There have been no changes in valuation methodologies used as of June 30, 2016 and 2015. The fair value of the assets is sensitive to changes in unobservable inputs used in the valuation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

The following table provides a summary of changes in fair value of the University's Level 3 assets at June 30:

	2016 Assets held in trust	2015 Assets held in trust
Balance, beginning of year	\$ 1,452,216	\$ 1,511,596
Realized and unrealized losses	(91,692)	(59,380)
Balance, end of year	<u>\$ 1,360,524</u>	<u>\$ 1,452,216</u>

The University's policy is to recognize transfers between levels as of the date of the event or change in circumstances. There were no transfers between levels during the years ended June 30, 2016 and 2015.

The carrying amount of cash, accounts receivable, accounts payable, accrued liabilities and deferred revenues approximates fair value because of the short maturity of these financial instruments.

A reasonable estimate of the student loans receivable under government loan programs and advances from federal government student loans could not be made because the notes receivable are not salable and can only be assigned to the U.S. government or its designees.

The University believes the fair value of its bonds payable approximate their carrying values as of June 30, 2016 and 2015, respectively. The fair value is based on rates currently available to the University for debt with similar terms and remaining maturities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

7. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following as of June 30:

	2016	2015
Land	\$ 15,003,068	\$ 14,400,091
Land improvements	10,374,409	10,383,755
Buildings	94,111,019	85,539,895
Equipment	3,973,163	4,378,271
Technology	3,303,360	3,827,477
Works of art and historical treasures	2,732,177	2,784,693
Library collection	1,367,831	1,291,857
Other	432,109	444,385
Construction in progress	10,019,175	7,728,494
	<u>141,316,311</u>	<u>130,778,918</u>
Accumulated depreciation	<u>(54,768,594)</u>	<u>(52,432,590)</u>
	<u>\$ 86,547,717</u>	<u>\$ 78,346,328</u>

Depreciation expense totaled \$3,543,638 and \$4,787,553 for 2016 and 2015, respectively, and has been allocated to operating expenses by functional classification.

Interest expense amounting to \$93,317 and \$87,874 in 2016 and 2015, respectively, has been capitalized as part of construction in progress.

8. LINES OF CREDIT

The University has lines of credit totaling \$5,000,000 with two financial institutions which mature at various times through December 26, 2016. The lines are unsecured and are at rates of interest either tied to the banks' index rate or at one-month LIBOR rounded up to the nearest one-sixteenth of one percent plus 1.50%, ranging from 2.00% to 3.50% as of June 30, 2016, and from 1.75% to 3.25% as of June 30, 2015. Borrowings under these lines of credit totaled \$1,900,000 and \$2,000,000, respectively, at June 30, 2016 and 2015.

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9. BONDS PAYABLE

Bonds payable consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Lexington-Fayette Urban County Government (LFUCG) Industrial Building Revenue Bonds, Series 2009A (Transylvania University Project)	\$ 4,735,000	\$ 5,010,000
LFUCG Refunding Revenue Bonds, Series 2009B (Transylvania University Project)	2,655,000	3,490,000
LFUCG Industrial Revenue Bonds, Series 2012 (Transylvania University Project)	10,125,000	10,170,000
LFUCG Industrial Revenue Bonds, Series 2014 (Transylvania University Project)	-0-	6,850,000
Kentucky Bond Development Corporation (KBDC) Industrial Revenue Bonds, City of Alexandria Series 2016A (Transylvania University Project)	6,987,944	-0-
Kentucky Bond Development Corporation (KBDC) Industrial Revenue Bonds, City of Sadieville Series 2016B (Transylvania University Project)	275,000	-0-
Kentucky Bond Development Corporation (KBDC) Industrial Revenue Bonds, City of Williamsburg Series 2016C (Transylvania University Project)	8,198,732	-0-
Kentucky Bond Development Corporation (KBDC) Industrial Revenue Bonds, City of Paris Series 2016D (Transylvania University Project)	4,185,000	-0-
	<u>\$ 37,161,676</u>	<u>\$ 25,520,000</u>

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The \$6,500,000 LFUCG Industrial Building Revenue Bonds, Series 2009A, were issued in March 2009 to finance various capital projects. The bonds bear interest at predetermined rates ranging from 4.00% to 5.125%. Annual principal payments range from \$275,000 to \$470,000 payable on March 1 to the year 2029. The bonds are collateralized by future revenues of the University. All of the Series 2009A bonds maturing March 1, 2020 and later were advance refunded by the issuance of the Series 2016D bonds. Restricted investments are on deposit with the trustee to call and pay off these bonds on March 1, 2019.

The \$10,520,000 Series 2009B bonds were issued in June 2009 to provide a full refunding of all LFUCG Revenue Bonds, Series 1998 (Transylvania University Project) (\$7,785,000 par) and all LFUCG Adjustable Rate Revenue Bonds, Series 2000 (Transylvania University Project) (\$2,310,000 par). The bonds bear interest at predetermined rates ranging from 3.20% to 3.50%. Annual principal payments range from \$850,000 to \$915,000 payable on September 1 to the year 2018 (fiscal year 2019). The bonds are collateralized by future revenues of the University.

The \$10,170,000 Series 2012 bonds were issued in June 2012 to finance the construction of a new athletics complex. The bonds bear interest at predetermined rates ranging from 2% to 4.5%. Annual principal payments range from \$60,000 to \$1,325,000 payable on March 1, 2017 to the year 2032. The bonds are collateralized by future revenues of the University.

The 2014 Series bonds were issued in September 2014 to finance the construction of two new residence halls. The bonds were issued on a draw basis and reached a balance of \$12,525,000 prior to pay off on April 29, 2016. The bonds carried a fixed interest rate of 2.64% for the first ten years outstanding and a fixed or LIBOR index rate as selected by the University for two successive ten-year periods. Principal repayments began on October 1, 2016 and were being amortized over 30 years ending September 1, 2044. Estimated monthly principal payments assuming the full amount of debt was drawn ranged from \$29,298 to \$61,174. The bonds were collateralized by a pledge of endowment investments. The 2014 Series bonds were paid off on April 29, 2016 by the issuance of the Series 2016A and Series 2016C bonds.

The \$7,000,000 Kentucky Bond Development Corporation Industrial Revenue Bonds, City of Alexandria Series 2016A were issued on April 29, 2016 to effect a full refunding of the 2014 Bonds. The bonds bear interest at a fixed interest rate of 2.54% for the first seven years outstanding and at a predetermined index rate for each successive seven-year period until final maturity in 2046. Principal repayments began on June 1, 2016 and are being amortized over 30 years ending April 1, 2046. Monthly principal payments range from \$12,055 to \$27,801. The bonds are collateralized by future revenues of the University.

The \$9,250,000 Kentucky Bond Development Corporation Industrial Revenue Bonds, City of Sadieville Series 2016B were issued on April 29, 2016 to provide

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partial funding for the construction of two new residence halls on the Transylvania campus. These bonds were issued on a draw basis, with \$275,000 having been advanced as of June 30, 2016. The bonds bear interest at a fixed interest rate of 2.54% for the first seven years outstanding and at a predetermined index rate for each successive seven-year period until final maturity in 2046. Principal repayments begin on May 1, 2017 and will be amortized over 30 years ending April 1, 2046. Monthly principal payments based on the balance outstanding at June 30, 2016 will range from \$535 to \$1,115. The bonds are collateralized by future revenues of the University.

The \$9,250,000 Kentucky Bond Development Corporation Industrial Revenue Bonds, City of Williamsburg Series 2016C were issued on April 29, 2016 to effect a full refunding of the 2014 Bonds and to provide partial funding for the construction of two new residence halls on the Transylvania campus. These bonds were issued on a draw basis, with \$8,198,732 having been advanced as of June 30, 2016. The bonds bear interest at a fixed interest rate of 2.54% for the first seven years outstanding and at a predetermined index rate for each successive seven-year period until final maturity in 2046. Principal repayments began on June 1, 2016 and are being amortized over 30 years ending April 1, 2046. Monthly principal payments based on the balance outstanding at June 30, 2016 range from \$9,515 to \$32,823. The bonds are collateralized by future revenues of the University.

The \$4,185,000 Kentucky Bond Development Corporation Industrial Revenue Bonds, City of Paris Series 2016D were issued on June 29, 2016 to effect an advance refunding of the Series 2009A bonds maturing on or after March 1, 2020. The bonds bear interest at predetermined rates ranging from 2.00% to 3.00%. Annual principal payments range from \$380,000 to \$460,000 payable on March 1 to the year 2029. The net present value of the savings provided by the refunding bonds was approximately \$444,000. The bonds are collateralized by future revenues of the University.

Certain covenants were made by the University in conjunction with issuance of each series bonds. As of June 30, 2016 and 2015, the University is in compliance with these covenants.

The following is a schedule of the required future principal payments on all bonds outstanding as of June 30:

2017	\$ 1,490,425
2018	1,596,409
2019	1,650,696
2020	1,610,223
2021	1,654,993
Thereafter	29,158,930
	<u>\$ 37,161,676</u>

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10. EMPLOYEE BENEFIT PLANS

The University has a defined contribution retirement plan covering eligible employees. Each year the University makes contributions to individually owned Internal Revenue Service Section 403(b) accounts on behalf of each eligible employee. Contributions to the plan were \$1,076,605 and \$1,103,675 in 2016 and 2015, respectively.

The University also established a 457(b) plan which allows eligible employees to defer compensation in excess of the amount allowed under the 403(b) plan. The University makes no contributions under this plan on behalf of employees.

11. SELF-INSURANCE PROGRAM

The University has a self-funded employee benefit plan to provide health care insurance coverage for its employees and their dependents. The University limits losses through the use of a stop-loss policy from a reinsurer. Specific individual losses for claims were limited to \$60,000 for both 2016 and 2015. The University's aggregate annual loss limitation was approximately \$1.5 million for both 2016 and 2015 based on a formula that considers, among other things, the total number of employees.

Insurance expense is recorded on an accrual basis. The liability at year end estimates the University's liability for claims filed and not paid, as well as any incurred but not reported claims. The University's share of health insurance expense was approximately \$2.0 million and \$1.9 million, respectively, for the years ended June 30, 2016 and 2015. At June 30, 2016 and 2015, the health insurance reserve funds total approximately \$731,000 and \$568,000, respectively.

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Gain on endowment investment	\$ 95,944,873	\$ 95,662,634
Unexpended contributions for restricted purposes including scholarships, academic programs, and student services	8,489,783	7,444,933
Unexpended contributions for capital assets	3,016,590	1,803,646
Annuity and life income funds	563,743	608,299
	<u>\$ 108,014,989</u>	<u>\$ 105,519,512</u>

As of June 30, 2016 and 2015 all amounts for pledges receivable were restricted as to purpose and are included in the applicable lines in the above table.

13. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
General endowment funds	\$ 18,200,925	\$ 17,883,444
Endowed scholarship funds	51,626,705	51,046,358
Assets held in trust by others and cash surrender value of life insurance policies	3,452,463	3,549,711
Pledges receivable for endowments	89,234	140,798
	<u>\$ 73,369,327</u>	<u>\$ 72,620,311</u>

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

14. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by occurrence of other events as specified by the donors.

The purpose of the restricted contributions released for the years ended June 30:

	2016		2015	
	Operating	Nonoperating	Operating	Nonoperating
Instructional	\$ 1,490,198	\$	\$ 1,236,104	\$
Academic support	649,638	(164,516)	299,836	(55,092)
Student services	83,781		95,879	
Institutional support	277,632	529,363	405,372	(142,697)
Financial aid	6,013,990	285,656	6,171,279	
Capital gifts	(3,399)	554,440		279,345
Auxiliary and other	23,635	21,762	110,635	276,099
	<u>\$ 8,535,475</u>	<u>\$ 1,226,705</u>	<u>\$ 8,319,105</u>	<u>\$ 357,655</u>

15. PLEDGES RECEIVABLE

Pledges receivable consist of the following as of June 30:

	2016	2015
Less than one year	\$ 772,308	\$ 318,975
One to five years	905,409	591,615
Greater than five years	22,500	37,500
	<u>1,700,217</u>	<u>948,090</u>
Less: Allowance for uncollectible receivables	(220,099)	(233,099)
	<u>1,480,118</u>	<u>714,991</u>
Less: Discounts to present value (1.69% to 4.54%)	(180,708)	(73,544)
	<u>\$ 1,299,410</u>	<u>\$ 641,447</u>

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

16. BINGHAM FUND

In October 1987, the Bingham Fund for Excellence in Teaching at Transylvania University (the Trust) was established. The purpose of the Trust is to fund and promote a faculty salary incentive award program to enhance the professional distinction and excellence of the faculty of the University. The Trust provides income to pay awards to certain faculty members and supports the Trust administration and selection process. A tax exempt status has been granted by the IRS. The Trust document requires that at least 50% of the Bingham trustees also be members of the University's Board of Trustees on succession of an initial board of Bingham trustees. The Trust is a supporting organization with the University named as primary beneficiary. The Trust is perpetual and deemed irrevocable.

Due to the nature of the Trust, its income transactions and additional restricted gifts have been reported in temporarily restricted net assets and its initial corpus has been reported in permanently restricted net assets as of June 30, 2016 and 2015. The initial corpus and related appreciation are included in investments on the University's consolidated statements of financial position.

The statement of financial position and statement of activities of the Trust follow:

BINGHAM FUND (TRUST) STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

ASSETS

	2016	2015
Investments - at fair market value	\$ 68,735,493	\$ 65,222,379
Accrued income receivable	89,235	79,794
Due from temporarily restricted funds	1,172,105	873,622
	<u>\$ 69,996,833</u>	<u>\$ 66,175,795</u>

LIABILITIES AND NET ASSETS

Net assets:		
Temporarily restricted	\$ 63,575,283	\$ 59,754,245
Permanently restricted	6,421,550	6,421,550
Total net assets	<u>\$ 69,996,833</u>	<u>\$ 66,175,795</u>

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

BINGHAM FUND (TRUST) STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Revenues and additions:		
Net realized and unrealized gains on investments	\$ 3,541,410	\$ 1,049,112
Investment income	1,570,785	1,472,000
Gifts	<u>275</u>	<u>300</u>
	<u>5,112,470</u>	<u>2,521,412</u>
Expenses and deductions:		
Faculty development expense	124,609	76,203
Faculty salary awards	955,107	870,455
Administration expense	<u>211,716</u>	<u>82,807</u>
	<u>1,291,432</u>	<u>1,029,465</u>
Net change in net assets	<u>\$ 3,821,038</u>	<u>\$ 1,491,947</u>

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

17. CONCENTRATIONS RISKS

Concentration of Credit Risk

The University has a concentration of credit risk in that it periodically maintains cash deposits in financial institutions in excess of amounts insured by the FDIC. Cash deposits in excess of the federally insured limits totaled \$1,050,677 and \$729,100 as of June 30, 2016 and 2015, respectively.

Student Financial Aid

The University's students receive a substantial amount of support from state and federal student financial assistance programs. A significant reduction in the level of this support, if it were to occur, might have an adverse effect on the University's programs and activities.

Major Donors

The top five donors comprise approximately 30% and 44%, respectively, of total donations for the University for the years ended June 30, 2016 and 2015.

18. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the University's various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities. Expenses that can be identified with a specific program or support service are charged directly to the program or support service. Expenses which apply to more than one functional program or support service have been allocated based on estimates by management. Accordingly, certain costs, including physical plant, depreciation and interest expenses, have been allocated among the programs and supporting services benefited.

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Expenses summarized by functional classifications for the years ended June 30:

	2016			
	Program Activities	General and Administrative	Fundraising	Total
Salaries and wages	\$ 13,192,452	\$ 2,235,814	\$ 724,449	\$ 16,152,715
Benefits and payroll taxes	3,343,904	744,873	104,125	4,192,902
Operating expenses	7,776,242	1,500,878	294,877	9,571,997
Allocation of physical plant, interest, and depreciation	7,080,161	941,917		8,022,078
	<u>\$ 31,392,759</u>	<u>\$ 5,423,482</u>	<u>\$ 1,123,451</u>	<u>\$ 37,939,692</u>
	2015			
	Program Activities	General and Administrative	Fundraising	Total
Salaries and wages	\$ 13,158,610	\$ 2,246,949	\$ 828,322	\$ 16,233,881
Benefits and payroll taxes	3,346,843	772,977	121,091	4,240,911
Operating expenses	7,915,514	1,348,070	266,176	9,529,760
Allocation of physical plant, interest, and depreciation	7,932,117	905,712		8,837,829
	<u>\$ 32,353,084</u>	<u>\$ 5,273,708</u>	<u>\$ 1,215,589</u>	<u>\$ 38,842,381</u>

19. RELATED PARTY TRANSACTIONS

The University routinely conducts banking and investment services transactions with entities represented or owned by persons affiliated with the University. Such relationships are disclosed to and approved by the Board of Trustees. The University believes these transactions are conducted on an arm's length basis.

20. COMMITMENTS AND CONTINGENCIES

The University is exposed to various risks of loss such as errors and omissions, injuries to employees, and general liability claims. The University manages these risks through the purchase of commercial insurance.

The University had outstanding contractual commitments related to construction projects totaling approximately \$9.3 million and \$1 million at June 30, 2016 and 2015, respectively.

TRANSYLVANIA UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

21. RECENTLY ISSUED ACCOUNTING STANDARDS

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that “an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services”. On August 12, 2015, the FASB further amended this guidance and issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date for all entities by one year. These new standards, which the University is not required to adopt until its year ending June 30, 2019, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto. The University is presently evaluating the effect that this ASU will have on its future financial statements, including related disclosures.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard, which the University is not required to adopt until its year ending June 30, 2020, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity’s statement of financial position. The University has reviewed this standard and does not believe it has any substantial impact on its consolidated financial statements.

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* that amends how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. This new standard, which the University is not required to adopt until its year ending June 30, 2019, requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. This ASU completes the first phase of a two phase project to amend not-for-profit financial reporting requirements. The University is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.

BOARD OF TRUSTEES BUSINESS MEETING MOTION

TITLE OF MOTION:

Approval of revised operating budget for the Fiscal Year 2016-17

ACTION REQUESTED: ___FIRST READ XBOARD VOTE

COMMITTEE RECOMMENDATION: Finance Committee

MOTION

On behalf of the Finance Committee, we recommend approval of the revised operating budget for the fiscal year 2016-17.

PREPARED BY: NAME Marc Mathews

TITLE Vice President for Finance and Business

EMAIL mmathews@transy.edu

TRANSYLVANIA UNIVERSITY

BUDGET REVISION
FISCAL YEAR 2016-17

	FINAL BUDGET 2016-17	INITIAL BUDGET 2016-17	DIFFERENCE	% DIFFERENCE
<u>OPERATING REVENUES</u>				
TUITION AND FEES	\$ 34,600,000	\$ 35,009,000	\$ (409,000)	-1.17%
ROOM & BOARD	6,717,000	7,003,000	(286,000)	-4.08%
FINANCIAL AID	(17,400,000)	(17,625,000)	225,000	-1.28%
NET STUDENT FEES	23,917,000	24,387,000	(470,000)	-1.93%
GIFTS	2,000,000	2,000,000	0	0.00%
RESTRICTED GIFTS	691,000	591,000	100,000	16.92%
ENDOWMENT INVESTMENT INCOME	9,281,000	9,281,000	0	0.00%
OTHER REVENUE	778,000	749,000	29,000	3.87%
AUXILIARY REVENUE	863,000	803,000	60,000	7.47%
TOTAL OPERATING REVENUES	37,530,000	37,811,000	(281,000)	-0.74%
<u>OPERATING EXPENSES</u>				
INSTRUCTION	9,513,000	9,700,000	(187,000)	-1.93%
RESEARCH	54,000	54,000	0	0.00%
ACADEMIC SUPPORT	4,541,000	4,665,000	(124,000)	-2.66%
STUDENT SERVICES	5,098,000	5,097,000	1,000	0.02%
ADMISSIONS	1,666,000	1,784,000	(118,000)	-6.61%
INSTITUTIONAL SUPPORT	5,350,000	5,218,000	132,000	2.53%
PLANT OPERATIONS	3,431,000	3,375,000	56,000	1.66%
DEPRECIATION	3,797,000	3,973,000	(176,000)	-4.43%
INTEREST	1,204,000	1,054,000	150,000	14.23%
AUXILIARY	3,461,000	3,476,000	(15,000)	-0.43%
TOTAL OPERATING EXPENSES	38,115,000	38,396,000	(281,000)	-0.73%
CHANGE IN NET ASSETS				
FROM OPERATIONS	\$ (585,000)	\$ (585,000)	\$ -	0.00%
ANNUAL AVERAGE FULL-TIME STUDENTS	930	954		
FROM ENDOWMENT:				
INTEREST & DIVIDENDS	\$ 3,575,000	\$ 3,400,000		
DRAWDOWN	5,706,000	5,881,000		
TOTAL ENDOWMENT	\$ 9,281,000	\$ 9,281,000		
ENDOWMENT SPENDING RATE	5.70%	5.70%		
ENDOWMENT VALUE - 36 month rolling average				
market value as of beginning of the year	\$162,822,927	\$162,822,927		
TUITION DISCOUNT RATE	50.3%	50.3%		

BOARD OF TRUSTEES BUSINESS MEETING MOTION

TITLE OF MOTION:

Approval of property swap between the University and a trustee

ACTION REQUESTED: ___FIRST READ _X__BOARD VOTE

MOTION

The Building and Grounds Committee recommended approval of this transaction to the Finance Committee with Cowgill et al to providing the average difference of \$96,250 to the University as additional consideration.

The Finance Committee recommends approval of this transaction to the full Board with the additional condition that the University be indemnified for environmental liabilities to the extent known and possible on the Blackburn Street property.

RATIONALE:

The University would like to acquire several parcels of property currently owned by trustee Norwood Cowgill, Jr. (and/or entities owned or controlled by Mr. Cowgill) as follows:

1. 339, 345, 349 – 371 Blackburn Avenue (corner of 4th and Blackburn)
2. 465, 467 and 469 W. Fourth Street
3. 416 and 418 Smith Street

The University would like to acquire these properties for its use as follows:

1. The 4th and Blackburn properties adjoin University owned property at the corner of 4th and Henry Streets and together will provide land sufficient to develop a new tennis complex.
2. The property on W. Fourth and Smith Street is contiguous to the University-owned 4th Street Apartments and provides additional land for the future redevelopment of this property.

Mr. Cowgill et al would like to acquire several parcels of property owned by the University for development as follows:

1. 505 W. Fourth Street (warehouse at 4th and Jefferson)
2. Railroad Right of Way behind 505 W. Fourth Street
3. 600, 602, 604 and 606 W. Fifth Street
4. 476, 484 and 490 Pilgrim Court

The Building and Grounds Committee employed two separate appraisal firms to provide appraisals for each property (summary attached). One firm valued the University properties at \$138,000 more than the Cowgill properties, the second firm valued the University properties at \$54,500 more than the Cowgill properties.

PREPARED BY:	NAME	Marc Mathews
	TITLE	Vice President for Finance and Business
	EMAIL	mmathews@transy.edu

Transylvania University
Property Appraisals
Potential Property Swap

	<i><u>I-1 Property Owned by Cowgill et al 339 - 71 Blackburn Ave.</u></i>	<i><u>R-4 Property Owned by Cowgill et al 465 - 469 W. 4th Street & 416 - 418 Smith Street</u></i>	<i><u>Total</u></i>	<i><u>I-1 Property Owned by Transylvania 600 - 606 W. Fifth Street; 476 - 490 Pilgrim Court 505 W. Fourth Street and Railway Property</u></i>	<i><u>Difference</u></i>
Appraisal #1 - Ben Campbell	\$426,000	\$218,000	\$644,000	\$782,000	\$138,000
Appraisal #2 - Will Berkely	\$560,500	\$300,000	\$860,500	\$915,000	\$54,500

Transy Property to be Swapped

Cowgill Property to be Swapped

500

550

555

551

519

W FOURTH ST

JEFFERSON ST

SMITH ST

ADIE ST

BOURBON AVE

ROSS AVE

DIXON AVE

PILGRIM CT

338

332

330

326

516

369

363

359

357

347

343

339

335

332

330

326

516

369

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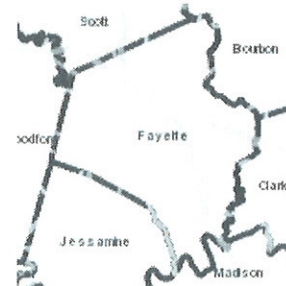
- 2016+ Parcel Sales
- 2015 Parcel Sales
- 2014 Parcel Sales
- 2013 Parcel Sales
- 2012 Parcel Sales

0 210 420 630 840 ft

Fayette County Property Valuation Administrator

Parcel: 19960550 Acres: 2.65 Book: 3224 Page: 280

Name:	PROVIDENCE MONTESSORI SCHOOL INC	Fair Cash Value	\$ 400,100
Site:	519 W FOURTH ST	Ag Land Value	0
Sale:	\$400,100 on 2014-03-27 Reason=U Qual=05	Ag Total Value	0
Mail:	1209 TEXACO RD LEXINGTON, KY 40508	Taxable Value	0



The Fayette County Property Valuation Administrator's Office makes every effort to produce the most accurate information possible. No warranties, expressed or implied, are provided for the data herein, its use or interpretation. The assessment information is from the last certified taxroll. All data is subject to change before the next certified taxroll. PLEASE NOTE THAT THE PROPERTY APPRAISER MAPS ARE FOR ASSESSMENT PURPOSES ONLY NEITHER FAYETTE COUNTY NOR ITS EMPLOYEES ASSUME RESPONSIBILITY FOR ERRORS OR OMISSIONS ---THIS IS NOT A SURVEY---

Date printed: 08/03/16 : 06:36:21

AGB Board of Directors' Statement on the
Fiduciary Duties
of Governing Board Members





This statement was approved on July 24, 2015, by the Board of Directors of the Association of Governing Boards of Universities and Colleges. The following principles are intended to educate board members about the elements of their fiduciary responsibilities and how to translate their fulfillment of those responsibilities into effective board conduct and oversight

The “AGB Statement on the Fiduciary Duties of Governing Board Members” encourages all governing boards and chief executives to remember that governance is significantly improved when board members and presidents share a mutual understanding of the standards that define their fiduciary obligations.

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AGB

Preface

AGB Board of Directors' Statement on the Fiduciary Duties of Governing Board Members

Governance of American colleges and universities is at a crossroads. The governing bodies of these institutions face critical challenges to methods of operation and oversight that have

been in common use for decades, but which are underperforming in satisfying current stakeholders and protecting future generations. At the same time, they are under greater scrutiny than ever before, with their members increasingly held accountable for the success or failure of their institutions. These members hold a unique position with regard to stewardship of the institutions they serve, a position not shared with students, faculty, alumni, donors, regulators, or others in the community. They are fiduciaries.

The concept and practice of being a fiduciary cannot and should not be reduced to a legal principle with no real-world impact on a board member's behavior. Fiduciary principles and duties are at the heart of effective governance and AGB's work with its members. The fiduciary duties described in this statement can seem, at first glance, to be a matter of common sense. What could be more essential for a board member than to act with good-faith and care, with loyalty to the institution, and in compliance with its mission and the law? And yet, behind nearly every failure of governance and leadership at higher education institutions is a breach of the principles of fiduciary duty.

While governing boards act as a body, the fiduciary duties applied by law and best practice fall on individual board members. Each has a personal responsibility to ensure that he or she is up to the task and fulfilling his or her obligations. Effective board members must be more than names on a masthead. They must be fully engaged. They must attend meetings, read and evaluate the materials, ask questions and get answers, honor confidentiality, avoid conflicts of interest, demonstrate loyalty, understand and uphold mission, and ensure legal and ethical compliance. Those who cannot do so must step down and allow others to take their place. The success and sustainability of the institution and the protection of board members from personal liability require nothing less.

This AGB board statement is designed as a tool to orient board members to the elements of fiduciary duty and to recommend proven practices for translating those duties into effective board conduct. It comprises a discussion of governing board members and officers as fiduciaries of their institutions, an explanation of the three fiduciary duties that apply to them, and principles for translating these duties into effective board conduct. Integrated throughout the statement are illustrative questions for members of governing boards to consider.

Principles of Fiduciary Duty

FIDUCIARY DUTIES IN GENERAL

Under state statutory and common law, officers and board members of corporations (including nonprofit corporations and public bodies that operate colleges and universities) are *fiduciaries* and must act in accordance with the fiduciary duties of care, loyalty, and obedience. What is a fiduciary? Legally, a fiduciary relationship is one of trust or confidence between parties. A fiduciary is someone who has special responsibilities in connection with the administration, investment, monitoring, and distribution of property—in this case, the charitable or public assets of the institution. These assets include not just the buildings and grounds and endowment, but also intangibles, such as the reputation of the institution and its role in the community. A college or university board member or officer has duties to the institution under the law that a faculty member, a student, or an administrator does not.

A fiduciary owes particular duties to the institution he or she serves. They are commonly known, as described above, as the fiduciary duties of care, loyalty, and obedience. Taken together, they require board members to make careful, good-faith decisions in the best interest of the institution consistent with its public or charitable mission, independent of undue influence from any party or from financial interests. These duties may be described in and imposed by a college or university's bylaws, governing board policies, standards of conduct, or code of ethics. In the case of a public institution, state law may describe or apply these standards of conduct differently (for example, under particular rules applicable to regents or public bodies); however, adherence to these principles remains a key governance best practice at both independent and public colleges and universities.



ILLUSTRATIVE QUESTIONS FOR GOVERNING BOARDS TO CONSIDER

1. Does the board understand the elements of the duty of care, the duty of loyalty, and the duty of obedience? How is our board educated on these principles?
2. Do board members understand how their fiduciary duties relate to their particular responsibilities in overseeing the college or university? How does our board discuss these matters?
3. Do board members understand the ways in which they could be exposed to personal liability for breaching their fiduciary duties? What areas of liability exposure are of greatest concern to our board members?

Good governance practice mandates that all board members be informed of the legal meaning and obligations of their fiduciary role and provided practical examples of issues that the board is likely to face and that require careful attention to the balancing of interests necessary to carry out the fiduciary role. In addition, board members and officers must understand that while they hold fiduciary duties individually, they act collectively as a board. Absent a particular designation of authority by the board to an individual board member or officer (such as the authorization of a board chair to enter into an employment agreement with the president on behalf of the institution), no single board member or officer has authority to bind the institution or determine its course of action, even those who may be appointed by a state governor or through a political process.

A question that often arises is: To whom are fiduciary duties owed? By law, these duties are owed by governing body members and officers to the institution. However, in the court of political and public opinion, fiduciary duties are commonly extended (erroneously) to other beneficiaries: students (and those who may pay the tuition for them), faculty, alumni, donors, and the community at large, particularly where the institution has a direct and material impact on the livelihood of its community and the beneficiaries of its research and scholarship. In a given case, governing board members may comply faithfully and with integrity with their legal fiduciary duties in overseeing their institutions and yet still run afoul of regulators, politicians, and stakeholders who believe a different result should ensue. It may even cost a board member his or her seat. Still, fidelity by board members and officers to their legal fiduciary duties is the essence of good governance.

FIDUCIARIES WITHIN A SHARED GOVERNANCE SYSTEM

In the American higher education system of shared governance, governing boards share governance duties with the president and the faculty, while respecting academic freedom and soliciting input from a broad campus constituency. However, under the law, only governing board members and officers hold fiduciary responsibility. Nevertheless, the governance principles ingrained in the fiduciary duties discussed in this statement have clear application to the efforts of the administration and faculty, as well. All participants in the system of shared governance would do well to adhere to these principles and practices.

The Three Duties

The following three duties of governing board members and officers, which are established by law and are well-accepted principles of good governance, are set forth for board members to thoughtfully consider and apply.

THE DUTY OF CARE

The duty of care generally requires officers and governing board members to carry out their responsibilities in good-faith and using that degree of diligence, care, and skill which ordinarily prudent persons would reasonably exercise under similar circumstances in like positions. Accordingly, a board member must act in a manner that he or she reasonably believes to be in the best interests of the institution.

Determining what is in the best interests of the institution is left to the governing board's sound judgment under the duty of care. It will necessarily involve a balancing of interests and priorities appropriate to the institution's mission and consistent with its strategic priorities. This should include explicit attention to the tradeoffs inherent in achieving balance among employees' interests (maintaining quality of education and protecting the institution's assets), student interests (maintaining affordability), physical assets (buildings and grounds), fiscal assets (endowments and fund balances), consumer value of the degree (cost of degree attainment versus future job earnings), and community interests in the institution (jobs, economic development).

Under the duty of care, governing bodies of colleges and universities are responsible for both the short- and long-term financial health of the institution and achievement of the goal of preserving the institution and its resources for future generations. At the same time, governing boards have the obligation to develop and protect the quality of the institution's academic programs and to become appropriately engaged in the oversight thereof.

There can be no single, succinct statement of specific actions required by the duty of care, since different circumstances will inevitably require different acts. However, the proper exercise of the duty of care requires a board member to regularly attend meetings; to read and evaluate the meeting materials prepared for the board in advance of the meeting; to ask questions and participate actively in board discussions; and to be knowledgeable of the institution's purposes, operations, and environment.

Also interwoven in the duty of care is the responsibility of board members to maintain the confidentiality of matters brought before the board, both during and after their board service. This is particularly the case with respect to personnel concerns and sensitive business matters. In some cases, board members may be asked to sign an oath of confidentiality or a binding agreement that sets forth their duties and responsibilities

to the institution. Such instruments may be useful, but they may also seem heavy-handed to some, and the duties will apply to board members who have been duly elected and have consented to service whether or not an oath or agreement exists. At the same time, board members must balance their obligation to maintain confidentiality with the core governance principle and public-policy objective of promoting transparency in board operations.

The duty of care does not require professional expertise, extensive consideration, or full knowledge of the matter at hand by every board member. Instead, the duty generally requires board members to be reasonably well informed of the relevant issues. Officers and board members may rely upon expert advice in making their determinations. For example, a board member may rely on information, opinions, reports, or statements, including financial statements and other financial data, that are prepared or presented by: (a) one or more officers or employees of the institution whom the board reasonably believes to be reliable and competent in the matters presented; (b) legal counsel, public accountants, or other persons as to matters the board reasonably believes are within the person's professional or expert competence; or (c) a committee of the governing board of which he or she is not a member if the board member reasonably believes the committee's report merits confidence. Any reliance on information provided by others must be reasonable under the circumstances, considering such factors as the source from which the information was obtained, whether the information relied upon is a brief summary or an extensive analysis, whether the matter is routine or exceptional, and the time frame in which a decision must be made.



ILLUSTRATIVE QUESTIONS FOR GOVERNING BOARDS TO CONSIDER

1. Does the board invite discussion and questions regarding matters before it?
2. How does the board encourage full engagement by board members and enforce attendance requirements?
3. How does the board involve experts to facilitate and enhance its understanding of matters before it?
4. How does the board assess its own performance in fulfilling its fiduciary duties?

THE DUTY OF LOYALTY

The duty of loyalty requires officers and board members to act in good-faith and in a manner that is reasonably believed to be in the interests of the college or university and its nonprofit or public purposes rather than their own interests or the interests of another person or organization. The fiduciary must not act out of expedience, avarice, or self-interest. The requirement that officers and board members discharge their duties in good-faith is a subjective one that will vary depending on the facts and circumstances.

Under this duty, a college or university board member must be loyal to the institution and not use the position of authority to obtain, directly or indirectly, a benefit for him or herself or for another organization in which the board member has an interest. Accordingly, when evaluating a board member's conduct, the duty of loyalty considers both a board member's financial interests and the governance or leadership positions he or she holds with other organizations.

Board member independence is increasingly sought after by regulators and key stakeholders to ensure adherence to the duty of loyalty. In this context, independence means that the board member is not employed by and does not do material business with the college or university. This information is reported on IRS Form 990 and in other public record filings. In addition, the board member acts independently of any personal relationship he or she may have with the president or senior leaders of the college or university or with other board members. It is not required that every member of the board be independent (for example, some *ex officio* board members may not be), but, ideally, a majority of the board members should be independent.



ILLUSTRATIVE QUESTIONS FOR GOVERNING BOARDS TO CONSIDER

1. Does the board have a robust conflict-of-interest policy that also addresses dualities of interest? How do board members disclose conflicts and dualities and to whom?
2. Whose responsibility is it to review board conflict-of-interest disclosures and to report on potential conflicts to the board?
3. What does the board do when a conflict is identified?
4. How does the board determine what matters before it are confidential, and how does it enforce confidentiality by board members?

In addition, it is incumbent on board members to retain their independence from external and internal stakeholders in the conduct of their oversight and policy responsibilities. This applies to boards of independent institutions and especially to public boards whose members are most often selected for their service through some form of political appointment. It also applies in cases in which board members are appointed or elected by internal constituent groups such as faculty or staff. Public and internally appointed board members may be respectful of the views of appointing authorities but must not allow such influence to be determinative of board action. Governing board members of public institutions, while serving the public interest, must still adhere to the fiduciary duty of loyalty to the institution and, in so doing, must prioritize the interests of the institution over any other. It is essential that board members avoid a conflict of loyalty in meeting their fiduciary responsibilities to act on behalf of the institution(s) they hold in trust.

The most critical implementation of the duty of loyalty comes in a college or university's conflict-of-interest policy. Such a policy, when adhering to state law and best governance practices, requires board members to fully disclose financial interests and dual organizational relationships ("dualities of interest") that may affect their decision making on behalf of the institution. The policy will prohibit board members from participating in or unduly influencing decisions in which they have a material financial conflict of interest or an adverse duality of interest ("recusal") and may require the board member to eliminate the duality of interest. The 2013 "AGB Board of Directors' Statement on Conflict of Interest with Guidelines on Compelling Benefit" offers clarifying guidance on best practices for boards to consider in managing conflicts of interest within the board.



THE DUTY OF OBEDIENCE

A third fiduciary duty, which is arguably an element of the duties of care and loyalty, is the duty of obedience. This is the duty of board members to ensure that the college or university is operating in furtherance of its stated purposes (as set forth in its governing documents) and is operating in compliance with the law. The board should also periodically re-evaluate its purposes and mission and must be prepared to amend or change them when it is necessary and appropriate to do so under the law and the institution's governing documents. A governing body of a college or university must make reasonable efforts to ensure that the institution is both legally and ethically compliant with the law and applicable internal and external rules (for example, accreditation, environmental, research, labor, or athletics requirements) and that it has instituted effective internal controls to achieve compliance and to identify and address problems.



1. Has the board been impeded in fulfilling its fiduciary responsibilities by external influences such as government, corporate, political, social, athletic, or religious interests? How should the board respond under these circumstances?
2. Do our appointed public board members understand and abide by their fiduciary obligation to objectively evaluate the matters before them and to maintain their independent judgment, notwithstanding any potential effort by the appointing authority to influence their decisions?
3. By what process does the board determine whether proposed board action is consistent with the institution's mission and purposes?
4. How does the board oversee legal compliance in the institution?
5. What internal controls are applied to prevent legal violations such as fraud, theft of intellectual property, embezzlement, athletics infractions, use of gifts in violation of donor intent, and employment discrimination? Are they effective?

Translating Fiduciary Duty into Effective Board Conduct

In order to ensure that college and university board members are well prepared to effectively carry out their roles as fiduciaries, good governance tools may be developed to provide clarity as to expectations and strategies for action. Fiduciary duties will apply by law even if an institution does nothing more to implement them, but governance is improved when board members and presidents share a mutual understanding of the standards that define the fiduciary role, including the balancing of interests necessary to carry out the institution's mission and strategic priorities.

CORE PRINCIPLES FOR EFFECTIVE BOARD CONDUCT AS FIDUCIARIES

1. FULFILL THE FIDUCIARY DUTY OF CARE BY:

- ✧ Acting at all times in good-faith and with the appropriate diligence, care, and skill required under the circumstances.
- ✧ Acting in a manner reasonably believed to be in the best interests of the institution.
- ✧ Actively attending and participating in all board and committee meetings, reading and evaluating the materials presented, and asking questions about unexplained results and unfamiliar issues.
- ✧ Retiring from board service (or declining nominations) if one is no longer able to satisfy the time, effort, and attendance expectations for the institution's governing body members.
- ✧ Relying, when appropriate, on experts who serve the board by evaluating complex matters, while questioning their reports when their advice is inconsistent with expectations.

2. FULFILL THE FIDUCIARY DUTY OF LOYALTY BY:

- ✧ Faithfully pursuing the interests of the college or university and its charitable or public purposes rather than one's own interests or the interests of another person or organization.
- ✧ Actively disclosing existing or potential financial conflicts of interest and dual interests, and recusing oneself from board discussions and votes on transactions or policy matters, in accordance with the institution's conflict-of-interest policy.

- ✧ Maintaining complete confidentiality about any matters presented to the governing board at all times, unless otherwise directed by the board and subject to state transparency laws applicable to public institutions.
- ✧ Retaining the governing board's independence from external and internal stakeholders in the conduct of its oversight and policy responsibilities.

3. FULFILL THE FIDUCIARY DUTY OF OBEDIENCE BY:

- ✧ Ensuring that the institution is acting at all times in accordance with its mission and purposes.
- ✧ Ensuring that the college or university, in all of its activities, is acting in legal and ethical compliance with the law and applicable internal and external rules.
- ✧ Instituting effective internal controls to achieve compliance and to identify and address problems.

EFFECTIVE GUIDELINES FOR PUTTING THESE PRINCIPLES INTO PRACTICE

- ✧ Implement a year-round director-recruitment program in which a pool of prospective candidates is developed and vetted, and in which candidates have an opportunity to learn more about the institution and are educated as to the needs and expectations of the institution for their board service, and their prospective fiduciary responsibilities.
- ✧ Engage in thoughtful and advance planning regarding board development and composition to avoid conflicts of interest, ensure adequate independence of board members, and secure an appropriate balance of skills and experience among board members.
- ✧ Establish meaningful orientation programs for new board members (and a refresher for long-serving members) that include: an explanation of fiduciary duties; a discussion of the institution's mission, vision, and strategic plan; an explanation of related board policies, such as conflict of interest and confidentiality; an explanation of relevant portions of the college or university bylaws that pertain to board members' conduct; the expectations of board members as to active participation on the board and in board committees; an explanation of the potential for personal liability for board members in the event of a breach of fiduciary duty; and the identification of resources for further study.

- ✧ Develop and implement an up-to-date conflict-of-interest policy that: makes the disclosure and recusal process clear; identifies standards for materiality and compelling benefit; explains and addresses financial interests, dualities of interest, and rules of conduct when the interest is adverse; and includes an effective form for disclosing material financial and dual interests. The governing board or a board committee will establish a process for review of disclosures of interest and forwarding of identified conflicts to the board for appropriate action.
- ✧ Ensure appropriate communication between the governing board and college or university legal compliance officers and programs and provide orientation for all board members regarding their role in such programs, including whistleblower policies, investigations of allegations, and complaint resolution.
- ✧ Secure on a timely basis the advice of knowledgeable experts who can increase the level of understanding and competence of board members on key issues, which may include compensation of the president, strategic planning, academic quality, construction of new facilities and development of property, marketing and communications, advocacy, legal compliance, fundraising and endowment management, and risk management.
- ✧ Commission board committees to regularly assess, through self-evaluation and review of board-member conduct, the effectiveness of the board in adhering to its fiduciary duties. Such committees may include the executive committee, the governance committee, and the audit committee.

AGB Board Of Directors, 2015–2016

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BOARD OF TRUSTEES BUSINESS MEETING MOTION

TITLE OF MOTION: Proposal from Faculty Concerns Committee for a Revision to Faculty By-Laws

ACTION REQUESTED: _____ FIRST READ X BOARD VOTE

MOTION: The Academic Affairs Committee proposes the following change in the faculty By-Laws:

Current By-Laws

C. Faculty Concerns Committee

Permanent subcommittees of the Faculty Concerns Committee include but are not limited to:

1. The Faculty Appointment Advisory Subcommittee, whose charge is to maintain continuous review of instructional vacancies and to recommend to the Administration filling positions as needs and resources suggest. The subcommittee will include as voting members the Division Chairs, one representative each from the Committee on Program and Curriculum and from the Faculty Concerns Committee (typically the Chairs). The subcommittee will also include as non-voting members, the Dean and the Chair of the Academic Affairs Committee of the Student Government Association. The subcommittee will elect a Chair from its members and formulate its rules of procedure.

Proposed By-Laws (changes in red):

C. Faculty Concerns Committee

Permanent subcommittees of the Faculty Concerns Committee include but are not limited to:

1. The Faculty Appointment Advisory Subcommittee **is charged with** maintaining continuous review of instructional vacancies and **making recommendations** to the Administration filling positions as needs and resources suggest. The subcommittee will include as voting members the Division Chairs and one representative each from the Committee on Program and Curriculum and from the Faculty Concerns Committee (typically the Chairs). The subcommittee will also include, as non-voting members, the Dean and the Chair of the Academic Affairs Committee of the Student Government Association. The subcommittee will elect a Chair from its members and formulate its rules of procedure. **The committee will review and rank faculty requests based upon information supplied in the faculty position application form.**

- a. **All faculty requests will utilize the faculty position application form that FCC will make available to all the faculty by **February 28**.**
- b. **Completed application forms will be returned to the Chair of FCC by the **First Friday after Spring Break**. Completed forms will be made available to all members of the faculty for their consideration and comments.**

- c. The Faculty Appointment Advisory Subcommittee will review the requests and develop a prioritized list to FCC and the Academic Dean of the College by **Third Monday of April.**
- d. FCC will report the rankings of the requests in its end of the year report.

PREPARED BY:	NAME:	Laura Bryan
	TITLE:	Vice President for Academic Affairs and Dean of the University
	EMAIL:	lbryan@transy.edu

BOARD OF TRUSTEES BUSINESS MEETING MOTION

TITLE OF MOTION: Faculty for Emeritus Status Consideration

ACTION REQUESTED: ___FIRST READ XBOARD VOTE

MOTION: The Academic Affairs Committee proposes the following candidates are granted emeritus status:

1. Dr. William Baldwin
Professor of Business Administration for 27 years
2. Dr. William Pollard
Vice President/Dean of the College and Professor of English for 11 years
3. Dr. Richard Rolfes
Professor of Physics for 28 years
4. Dr. Gerald Seebach
Professor of Chemistry for 42 years
5. Dr. David Shannon
Professor of Mathematics for 39 years
6. Dr. Nancy Wolsk
Professor of Art History for 38 years

PREPARED BY:	NAME:	Laura Bryan
	TITLE:	Vice President for Academic Affairs and Dean of the University
	EMAIL:	lbryan@transy.edu

Faculty for Emeritus Status Consideration



William T. Baldwin Jr.

Retired May 2015

Professor of Business Administration at Transylvania University for 27 years

Professor Baldwin retired after 27 years of dedicated service to our university. He inspired thousands of students and served as a positive role model to help them reach their potential. Dr. Baldwin's career includes extensive and diverse academic and professional activities, including serving as an expert witness for many of Lexington's premier law firms. His commitment to teaching excellence led him to develop his own textbook for an investment analysis course. He also received a Bingham Award for Teaching Excellence. Dr. Baldwin served several terms as academic program director, participated in many university service activities, and served as the faculty advisor to Kappa Alpha Order for nearly 25 years.



William F. Pollard

Retired May 2015

Vice President and Dean of the College and Professor of English at Transylvania University for 11 years

Dean Pollard arrived at Transylvania in 2004 as the vice president and dean of the college. He came to Transylvania with ideas about making the college more visible among peer institutions, enhancing faculty scholarship, and developing unique academic programs. Some of these initiatives included the establishment of the Transylvania Seminar, the introduction of Chinese language courses, the development of interdisciplinary majors such as philosophy/politics/economics (PPE) and neuroscience, and the incorporation of more substantial reading into the first-year orientation course. In 2010, he received the Chief Academic Officer (CAO) Award from the Council for Independent Colleges, in part for his mentoring of CAOs from other institutions.



Richard G. Rolfes

Retired May 2016

Professor of Physics at Transylvania University for 28 years

Professor Rolfes began teaching at Transylvania in 1988. His proudest pedagogical innovation was integrating lecture and lab so that Transylvania physics students learned theory and immediately conducted experiments during the same class. As an experimental physicist, Dr. Rolfes studied collisions between charged ions and neutral atoms and published widely. He also conducted X-ray fluorescence research in collaboration with Transylvania students. Dr. Rolfes routinely chaired the physics program; regularly served on the Personnel Committee, which he chaired twice; was elected Presiding Officer of the faculty; and served one term as president of the Transylvania chapter of the American Association of University Professors.



Gerald L. Seebach

Retired May 2015

Professor of Chemistry at Transylvania University for 42 years

For 42 years, Dr. Seebach inspired Transylvania students to become doctors, dentists, pharmacists, veterinarians, optometrists, and chemists. He served Transylvania as chief pre-health advisor, academic program director, and division chair. His accomplishments were many and included receiving the Moosnick Award as well as the Bingham Award for Teaching Excellence. His research interests ranged from electrochemical projects for the Navy, to mass spectroscopy with University of Tennessee researchers, to wine chemistry with scientists at the University of California, Davis; to azo-dye research with Lexmark chemists. He organized May Term travel courses to Germany, Italy, Spain, France, the Netherlands, and the Czech Republic during which students learned about topics as varied as the chemical and cultural aspects of chemical manufacturing, wine-making, beer-brewing, and food. He also organized student and alumni forensic trips to the state crime lab and wine tours in California.



David L. Shannon

Retired May 2016

Professor of Mathematics at Transylvania University for 39 years

Over the course of nearly four decades, Dr. Shannon authored numerous publications, taught scores of classes, and mentored hundreds of students. He served as a professor of mathematics, mathematics program director, dean of the college, executive officer of the Kentucky Section of the Mathematical Association of America, SACS compliance coordinator, and Phi Beta Kappa advisor. He was the recipient of a Bingham Award for Teaching Excellence. His career is distinguished in part by the sheer quantity of his contributions to mathematics and the Transylvania community. He was also a devoted friend, confidant, and sounding board to his colleagues.



Nancy Coleman Wolsk

Retired May 2016

Professor of Art History at Transylvania University for 38 years

Over the course of 38 years at Transylvania, Dr. Wolsk served as the director of the Transylvania art gallery, professor of art history, member and leader on many faculty committees, mentor for her colleagues, and scholar. Dr. Wolsk's teaching emphasized critical readings of works of art and architecture in their historical and cultural contexts. To bring those lessons to life, she led students abroad during numerous May Term courses. She also received a Bingham Award for Teaching Excellence. Dr. Wolsk was also devoted to shaping teaching excellence through promoting personal and scholarly growth among junior faculty. From reading papers and offering constructive critiques, to helping to develop grant proposals, to listening to challenges, goals, and aspirations of both students and faculty members, Dr. Wolsk served the entire Transylvania community.

BOARD OF TRUSTEES BUSINESS MEETING MOTION

TITLE OF MOTION: Honorary Degree

ACTION REQUESTED: ___FIRST READ **X**BOARD VOTE

MOTION: The Academic Affairs Committee moves that Dr. Eugenie Scott is granted an honorary degree.

Her nomination for an honorary degree was affirmed by the Transylvania faculty in May 2015.

PREPARED BY:	NAME:	Laura Bryan
	TITLE:	Vice President for Academic Affairs and Dean of the University
	EMAIL:	lbryan@transy.edu

Nomination of Dr. Eugenie Carol Scott for an Honorary Degree

The Faculty of Transylvania University by unanimous vote recommends to the Board of Trustees that the *Doctor of Science, Honorius Causa*, be awarded to Dr. Eugenie Carol Scott.

Dr. Scott received a Ph.D. in biological anthropology from the University of Missouri and has done extensive research in medical anthropology and skeletal biology.

Dr. Scott is a former university professor who served as the Executive Director of the National Center for Science Education from 1987 to 2014; she now serves as the chair of NCSE's Advisory Council. She has been both a researcher and an activist in the creationism/evolution debate for over twenty-five years, and has addressed the educational, legal, scientific, religious, and social components of this issue with civility, clarity and conviction. She has received national recognition for her NCSE activities, including awards from scientific societies, educational societies, and humanist groups.

She holds nine honorary degrees, from McGill, Rutgers, Mt. Holyoke, the University of New Mexico, Ohio State, the University of Wisconsin-Milwaukee, Colorado College, the University of Missouri-Columbia, and Chapman University. Dr. Scott has spoken on the Transylvania campus, where she gave a thorough, stimulating, thought-provoking and entertaining lecture. Dr. Scott is the author of [*Evolution vs Creationism*](#) and co-editor, with Glenn Branch, of [*Not in Our Classrooms: Why Intelligent Design Is Wrong for Our Schools*](#). She is known not only for the depth and competency of her scholarship but also for her willingness to respectfully debate those with positions that differ from her own.

An articulate and tireless defender of the scientific method and of its centrality to the teaching of science, especially in America's public high schools and colleges, Dr. Scott has made significant and important contributions to the public understanding of scientific practice, of the scientific method, and of the role of scientific work in the American society.

BOARD OF TRUSTEES BUSINESS MEETING MOTION

TITLE OF MOTION: Election of new trustees

ACTION REQUESTED: ___FIRST READ __X__BOARD VOTE

MOTION

The Committee on Trustees recommends that Mr. Randy Cooper and Mr. Lance Tucker be elected to the Transylvania University Board of Trustees class of 2017

PREPARED BY:	NAME	Dr. Aris Candris
	TITLE	Chair, Committee on Trustees
	EMAIL	arisinnaples@msn.com

Raymond K. Cooper II '77

Raymond “Randy” Cooper was raised in Cincinnati, Ohio, where he also currently resides. He received his Bachelor of Arts degree in English from Transylvania University in 1977. In 1987 he obtained his real estate brokerage license from the state of Ohio.



Upon graduation from college, Randy joined The Myers Y. Cooper Company. While working at The Cooper Company, he accepted an assignment as Treasurer of Standard Castings, overseeing its financial operations. Since 1987 he has served as President of The Myers Y. Cooper Company. He has also served on private corporate boards, including Cincinnati Schroder, Inc., The Hyde Park Lumber Company, and The Mills Judy Company.

Randy’s real estate developments are numerous, including CVS drug stores in Cincinnati and Atlanta and PetSuite boarding facilities. Shopping center developments include Mason Square, Montgomery Square, Mulberry Square, Wooster at Walton Creek, Springdale Town Center in Cincinnati, and Ft. Thomas Plaza and Florence Shops in Northern Kentucky. Other developments spearheaded by Randy and The Myers Y. Cooper Company include Red Bank office warehouse, Sycamore Executive Center, and Eastgate medical office building.

Civic and community activities also play an important role in Randy’s life. His current board memberships include The Cincinnati Country Club, Cincinnati Squash Academy, Clermont County Chamber of Commerce, and Transylvania’s Board of Regents. The University tapped Randy as the Regents’ inaugural chair in 2012 and he held that role for three years, remaining active as the group’s current Enrollment Committee Chair. In the past, Randy has also served as a board member of The Springer School and Center, The Ohioana Library Association (Columbus, Ohio), Clean Cincinnati, and the Cincinnati Art Museum Volunteer Advisory Council and Duveneck Association.

Randy and his wife Nancy, are the parents of three children, including daughter Emily (Emmy) who graduated from Transylvania in 2006.

Lance F. Tucker '91



A native of Shelbyville, Ky., Lance Tucker graduated summa cum laude from Transylvania University in 1991 with a degree in business administration/accounting. He currently serves as chief financial officer and chief administrative officer for Papa John's Inc., a role he has held since 2011. Lance has been at the forefront of strategy for the company's international expansion. In 2013, he won Business First Louisville's CFO of the Year Award due to his success in managing and promoting Papa John's corporate growth.

Prior to 2011, Lance held the position of senior vice president and chief of staff for Papa John's. From 2003-09 he worked as chief financial officer for Evergreen Real Estate, which is the family company of Papa John's founder John Schnatter. Lance holds the credentials of Certified Public Accountant and Certified Financial Planner.

In recognition of Lance's outstanding career success, Transylvania awarded him the Distinguished Achievement Award during Alumni Weekend 2016.

A Transylvania Board of Regents member since 2013, Lance has also served on multiple reunion-year planning committees. His wife, Jill, was a William T. Young Scholar and a graduate of the class of 1990. Their daughter Katie currently attends Transylvania and is active in sorority and Student Government Association leadership. Lance and Jill have two younger children—Ben, a senior at North Oldham High School, and Andrea, a freshman at North Oldham.

BOARD OF TRUSTEES BUSINESS MEETING MOTION

TITLE OF MOTION: Revision of University By-Laws

ACTION REQUESTED: ___FIRST READ ___X___ BOARD VOTE

MOTION

The Committee on Trustees recommends that the Board accept the proposed revisions to the By-Laws of Transylvania University

PREPARED BY:	NAME	Dr. Aris Candris
	TITLE	Chair, Committee on Trustees
	EMAIL	arisinnaples@msn.com

BY-LAWS OF TRANSYLVANIA UNIVERSITY

Last Amended & Approved May 22, 2015

I.

OFFICE AND PURPOSE

1.1. Name and Location. The institution is incorporated under the name of "Transylvania University." The principal office of the corporation shall be in Lexington, Fayette County, Kentucky, but the corporation may have offices at such places as may be determined by the Board of Trustees. The institution will hereinafter be referred to as the "University."

1.2 Purpose. The University is constituted for the purpose of maintaining a residential liberal arts institution.

II.

BOARD OF TRUSTEES

2.1. Membership. The government of the affairs, property, and business of the corporation shall be vested in a Board of Trustees constituting the membership of the corporation and consisting of a maximum of forty (40) persons. ~~Those persons constituting the Board of Trustees at the time of the adoption of these By-Laws shall continue to serve as such for the balance of the term for which each was appointed.~~ These terms of appointment were and shall consist of four staggered classes of members, and the term ~~of at least one fourth of the Trustees~~ shall expire on June 30 of each year. The Board of Trustees can vote for any trustee or prospective trustee to go into any class. All terms of service will be four years. At ~~each annual~~ any meeting of the Board of Trustees, the Board of Trustees ~~shall~~ may elect Trustees to fill vacancies. Any vacancy occurring in the Board by either death, resignation or otherwise may be filled for its unexpired term by an appointment of a successor to be ~~made recommended by the~~ Committee on Trustees and approved by the Board of Trustees. ~~Beginning with the Class of 2015, no~~ No Trustee may serve longer than three (3) successive four-year terms. After any member has served for three successive terms, it shall be a requirement that he or she shall have a separation of service from the Board of Trustees for at least one year. Thereafter, he or she may be eligible to serve again as a Trustee.

2.2 Qualifications. The Board should reflect imagination, initiative, experience, and a blend of educational, managerial, investment, legal, and business talents. Trustees should be sought who have dedication, competence, and stature, although persons possessing willingness and ability to serve should be selected over persons of more resounding reputation who might be unable to give freely of their time, with a goal of striving for diversity in all areas, ~~especially geography~~. Preference will be given to alumni, parents

of alumni, and long-term friends and supporters of the institution. Each member of the Board should possess the following qualifications:

- A. A strong interest in higher education, liberal arts, and the University.
- B. A vital concern about interesting students in attending the University.
- C. A personal record of civic, business and/or professional achievement.
- D. A devotion to the welfare of the University sufficient to manifest itself in: (a) ongoing major financial contributions to the University (either through direct contributions or solicitations), (b) regular attendance at Board meetings and meetings of their assigned Committee/s.

2.3. Functions. The primary functions of the Board shall be:

- A. To oversee, approve, and govern the strategic objectives and direction of the University.
- B. To grant suitable academic degrees, certificates or diplomas, and other such honors which may be deemed appropriate, and recommended by the President and Faculty of the University. ~~(moved from 5.3)~~
- C. To elect its members and approve the members of the Board of Regents, pursuant to recommendations of the Committee on Trustees.
- D. To select qualified executives to administer the affairs of the President of the University and to determine ~~their~~-his/her tenure.
- E. To support and assist the President and other executive officers of the University.
- F. To formulate policies upon the recommendations of either University officers or members of the Board.
- G. To inquire into the conduct of the affairs of the University.
- H. To ~~accept responsibility for~~maintain the fiscal integrity of the University.
- I. To take any and all action necessary to promote the quality and welfare of the University.
- J. To avoid any conflict of interest as outlined in the University's Conflict of Interest Statement.

2.4. Meetings. There shall be at least three meetings of the Board annually, which meetings may be conducted in person or telephonically. Any vote to be required at any meeting may be done if not in person, electronically or telephonically. – Additional and/or special meetings may be called at any time by the Chair of the Board or may be called by the Secretary upon the written demand of the majority of the members of the Executive Committee, or the full Board. Notice of any regular or special meeting of the Board shall be given to each Trustee no less than seven (7) days prior to any such meeting, notice to Trustees by telephone or email. The annual Board Meeting will be held at a date and time to be designated by the Board Chair.

2.5. Quorum. A majority of the members of the Board shall constitute a quorum for ordinary business. In the absence of a quorum at the time and place set for a meeting, the Trustee or Trustees present may adjourn the meeting until a quorum is present. At least one day's notice of the time and place of each adjourned meeting shall be given to each

Trustee.

2.6. Trustee Suspension and Removal. The Board of Trustees shall have the power to suspend and remove a trustee from office in accordance with the procedures set forth in this by-law for any cause the Board, at the recommendation of the Committee on Trustees, deems sufficient. A trustee may be suspended for such cause upon vote of a majority of the Board members not including the trustee who is the subject of the action. Within 48 hours after the Board's action, it shall notify the suspended trustee in writing of (a) the cause for the suspension and proposed removal, (b) the facts supporting same, and (c) that the suspended trustee may, within 48 hours after receiving the notice, request a hearing by the ~~Committee on~~Board of Trustees. If a hearing is requested, a time and place for the hearing shall be scheduled with notice in writing to the suspended trustee at least five days in advance, or, if no hearing is requested, the Board may remove the trustee from office without further notification to the suspended trustee. Alternatively, the Board may, without first suspending the trustee, notify him or her in writing and at least five days in advance of (a) the cause for proposed removal, (b) the facts supporting the proposed removal, and (c) the time and place for a hearing by the Committee on Trustees. In either case, the trustee may attend the hearing, may be represented by counsel, may cross-examine witnesses, and may present witnesses and other evidence in response to the charges. If, after hearing all the evidence, a majority of the Committee on Trustees believes that cause for removal exists, it shall recommend to the Board the removal of the trustee from office. If the trustee is a member of the Executive Committee or Committee on Trustees, he or she shall not be considered a member for purposes of the hearing, and shall not be entitled to vote on the issue of removal.

~~2.7. Compensation. The Board of Trustees shall have the power to fix the compensation of the President and other officers and employees of the University and it may vest in the President of the University the power to appoint, employ and discharge deans, vice-presidents, professors, instructors, agents and other employees and to fix their compensation and tenure. The Chairman of the Board or the Executive Committee shall appoint a committee of trustees to periodically assess the performance of the president, and to determine an appropriate level of compensation, and provide recommendations to the Executive Committee.~~

~~2.8.2.7.~~ Life Trustees. Each Trustee, ~~upon reaching the age of seventy five (75) or~~ after serving on the Board of Trustees for twelve (12) years shall be eligible (upon nomination by the Committee on Trustees and election by a majority of the Board of Trustees), to serve on the Board as a Life Trustee. Each Life Trustee shall have the privilege of attending all Board meetings but shall not have the right to vote.

~~2.9.2.8.~~ Honorary Trustees. An individual who has not served on the Board or a former Trustee whose service to the Board has been outstanding by virtue of that Trustee's loyalty, dedication and competence ~~and who is forced by matters beyond his or her control to retire from regular and active participation at meetings of the Board~~ and who is not eligible for election as a Life Trustee may, upon nomination by the Committee on Trustees, and election by a majority of the Board of Trustees, serve on the Board as an

Honorary Trustee. Each Honorary Trustee shall have the privilege of attending all Board meetings but shall not have the right to vote.

III. BOARD OF REGENTS

3.1. Membership. The Board of Regents shall be a non-governing board that shall serve as an advisory body to the Board of Trustees and the President. It shall assist the Board of Trustees in the development and implementation of projects and programs for the ongoing operation of the University. The Board of Regents shall meet at least once, ~~and preferably three times,~~ each year. It shall elect a Chair and any other officers it deems necessary. The Chair shall preside over meetings and shall serve for a period of two years.

3.2. Term. Membership on the Board of Regents shall be approved by the Board of Trustees. The terms of the initial members shall be staggered so that members shall be appointed for terms of two, three, or four years. After initial terms, all terms of service shall be for five (5) years.

IV. STANDING COMMITTEES

4.1. Standing Committees. The Board of Trustees shall have the following standing committees, and an effort shall be made to have each member of the Board serve on one or more of the following committees:

- A. Executive Committee
- B. Committee on Trustees
- C. Academic Affairs Committee
- D. ~~Development~~ Advancement Committee
- E. Building and Grounds Committee
- F. Enrollment Management Committee
- G. Finance Committee
- H. Strategic Planning Committee
- I. Student Affairs Committee
- J. Technology Committee

4.2. Each of the standing committees of the Board shall be composed primarily of Trustees. The Committee on Trustees shall annually present a slate of officers, proposed chairs of the standing committees, as well as the membership of the standing committees, to the Board Chair for review. The chair and the members of each of these standing committees will be appointed by the Chair of the Board upon consultation with the

President of the University for a term of one year and may be reappointed. The officers shall be approved by a vote of the Board of Trustees. ~~Trustee members of the standing committees shall be appointed by the Chair of the Board for a term of one year and may be reappointed.~~ The faculty of the University may elect two faculty members to serve as non-voting members on each of the standing committees, with the exception of the Executive Committee and Committee on Trustees. A non-Trustee may be eligible to serve on any committee upon the recommendation of the Committee on Trustees and the approval of the Chairs as set forth herein.

4.3. Standing Committee Meetings. Each of the standing committees will meet as needed on call of its chair. These committees should meet on a regular basis, consistent with the assigned duties and responsibilities. These committees shall provide advice, guidance and recommendations to the Board of Trustees through periodic reports.

4.4. Quorum. A majority of the members shall constitute a quorum competent for the transaction of business at meetings of each standing committee. In the absence of a quorum at the time and place set for a meeting, a majority of the members present may adjourn the meeting until a quorum is present. At least one day's notice of the time and place of such adjourned meeting shall be given to each committee member.

4.5. Vacancies. A vacancy on a standing committee may be filled in the same manner in which the original appointment to membership was made.

V. EXECUTIVE COMMITTEE

5.1. Powers. The Executive Committee shall have power, for and on behalf of the University, to transact all business and to do and perform any and all acts and things that the Board might rightfully do between meetings of the Board.

5.2. Membership. The Executive Committee shall be composed of the Chair, Vice Chair, Treasurer and Secretary of the Board of Trustees, and the chairs of the nine other standing committees of the Board. Other members of the Board may be named as *ex officio* members by majority vote of the Executive Committee. The Chair and Vice Chair of the Board of Trustees shall serve as Chair and Vice Chair, respectively, of the Executive Committee. The Chair and Vice Chair of the Board of Trustees and of the standing committees and the other members of the Executive Committee shall be approved by the Board of Trustees at its Annual Meeting. Each Executive Committee member shall be elected or appointed for a term of one year and may be reappointed or reelected. In the absence of the chair of any of the other standing committees, the vice chair of that committee may be invited to attend and to vote at any meeting of the Executive Committee. The President of the University will serve as an ex-officio member of the Committee but without having the right to vote. Other Trustees and other persons may attend meetings of the Executive Committee only at the invitation of the Chair of the Committee.

5.3. Executive Committee Meetings. The Executive Committee will meet during the academic year and at other times on call of the Chair of the Board of Trustees.

5.4. Executive Committee Minutes. The Executive Committee shall keep a permanent written record of its meetings and shall send a copy thereof to each member of the Board of Trustees.

VI. COMMITTEE ON TRUSTEES

6.1. The Committee on Trustees will recruit, nominate, orient and evaluate trustees. The Committee on Trustees shall meet at least once annually to review trustees who are eligible for re-election to the Board of Trustees, to identify and recommend to the Board of Trustees or Executive Committee individuals who could advance the mission of the University by serving as a trustee, and to present a slate of officers, chairs of the standing committees and members of standing committees each year at the Annual spring meeting of the Board of Trustees. The Committee shall determine whether Board Members are eligible for re-election and make recommendations to the Board of Trustees, or Executive Committee. The Committee on Trustees shall maintain a comprehensive file of these prospective Board members in order that the Executive Committee will be in a position to nominate Trustees to fill vacancies occurring on the Board whether through death, resignation, completion of elected term, or otherwise. However, the Board Chair shall have the right during the year to change members or chairs of standing committees.

6.2. The President shall serve as the liaison officer to the Committee.

VII. ACADEMIC AFFAIRS COMMITTEE

7.1. The Academic Affairs Committee shall have general supervision over all academic programs, academic support services, faculty and academic support staff. The Committee will review existent and proposed degrees and curricula, and academic support services, such as the library, the registrar, and the career development center. The Committee will review policies and procedures with respect to hiring, promotion, tenure, dismissal, and compensation of faculty and other academic personnel; and the functional adequacy of academic buildings and facilities. The Committee will review all recommendations brought forward for tenure and promotion by the President or his/her representative and vote as whether or not to recommend them to the full Board of Trustees for approval. The Committee will be expected to make reports or recommendations with respect to these academic activities to the Board of Trustees at

least once a year.

7.2. The Vice President and Dean of the University shall serve as the liaison officer between the University and the Committee.

VIII.

DEVELOPMENT-ADVANCEMENT COMMITTEE

8.1. The Development-Advancement Committee provides oversight of the University's fund-raising programs and works with the Vice President for Development and Alumni Affairs-Advancement on strategies and implementation of overall fund-raising, identifying prospects, and overall goal setting. The Committee shall have oversight of the development of alumni programs and outreach to the appropriate constituent groups.

8.2. The Vice President for Development and Alumni Affairs-Advancement shall serve as the liaison officer between the University and the Committee.

IX.

BUILDING AND GROUNDS COMMITTEE

9.1 The Building and Grounds Committee shall oversee all campus real estate and shall advise the Board about the supervision and management of the University's physical plant. It shall make recommendations to the Finance Committee and Board concerning: the location and design of all University buildings; the overall campus plan; the acquisition of new properties; maintenance of all facilities; and the efficient utilization of energy resources.

9.2 The Vice President for Finance and Business shall serve as the liaison officer between the University and the Committee, and may appoint the head of physical plant to the Committee.

X.

ENROLLMENT MANAGEMENT COMMITTEE

10.1. The Enrollment Management Committee provides oversight of the University's student recruitment, admissions and financial aid functions, including any long-term strategic enrollment plan. The Committee works with the Vice President for Enrollment and Student Life and Dean of Admissions on enrollment strategies concerning marketing, student recruitment, admissions policies, scholarships, and financial aid, and pricing.

10.2. The Committee shall review the plans and strategies of the Offices of Admissions and Financial Aid and recommend improvements. It shall also evaluate the results achieved against the goals for the two offices and recommend improvements when

appropriate. The Committee will provide oversight in the office(s)' use of internal and external resources to ensure that the cost of recruitment and financial aid is in line with established goals.

10.3. The Vice President for Enrollment and ~~Dean of Admissions~~Student Life shall serve as liaison officer between the University and the Committee, and may also invite the head of financial aid to the Committee.

XI. FINANCE COMMITTEE

11.1. The Finance Committee shall have general supervision over the finances, funds, stocks, bonds and other securities, ~~and real estate~~ of the corporation and the acquisition and disposal of real estate. The Committee shall work with the Vice President for Finance and Business to review the budget and expenditures for the University. The Committee shall also appoint an independent auditor to conduct the annual audit and shall review same annually. The Committee shall ensure that endowments and other restricted assets of the University are segregated from unrestricted assets. The Committee shall also oversee the risk management activities of the University.

11.2. The Finance Committee shall receive and review each year the proposed budgets of the University showing estimated receipts and disbursements of the corporation for the next academic year as submitted by the President and Vice President for Finance and Business, and shall present such budgets with changes as the Committee may recommend for consideration and action by the Board. The Board may approve, amend, or reject budgets so submitted. No expenditures shall be incurred unless the expenditures have been included in the approved budget or authorized by other action of the Board.

11.3. The Finance Committee shall maintain a continuing oversight of University expenditures, and shall compare actual financial performance with the previously approved budgets.

11.4. The ~~Chairman of the Board~~Board Chair shall appoint an Investment Subcommittee of the Finance Committee, consisting of not fewer than three members, including the Chair of the Finance Committee, which shall have the authority to act for the University in making investment decisions implementing the previously-approved investment policies. This Investment Subcommittee shall provide the Finance Committee with periodic written reports that provide a current analysis of the University's portfolio. The Vice President for Finance and Business and President of the University shall serve as ex-officio members of the Committee.

11.5. The Board Chair shall appoint a Presidential Compensation Subcommittee of the Finance Committee, consisting of not fewer than three members, including the Chair of the Finance Committee, the Chair of the Committee on Trustees and the Board Chair, which shall periodically assess the performance of and determine an appropriate level of

compensation of the President, which shall be subject to review by the Board of Trustees.

11.6. The Treasurer of the University shall serve on the Finance Committee. ~~by virtue of his or her oversight responsibility for the custody of the permanent funds of the corporation.~~

~~11.6.~~11.7. The Vice President for Finance and Business shall serve as liaison officer between the University and the Committee.

XII. STRATEGIC PLANNING COMMITTEE

12.1. The Strategic Planning Committee shall oversee the creation and ongoing assessment of the University's Strategic Plan. The Committee will focus primarily on four areas: academic and intellectual community; diversity, globalization and sustainability; support of campus culture; and physical plant and financial resources.

12.2. The Committee shall exercise broad oversight over new programs and facilities designed to keep the University responsive to the needs of its constituents. The Committee shall not, however, preempt the duties and responsibilities of other standing committees of the Board. The Committee shall recommend organizational changes and improvements when appropriate. The Committee shall review progress toward long-range goals as established through the planning process. It will also conduct periodic reviews of the University's mission statement.

12.3. The President of the University shall serve as the liaison between the administrative staff and the Committee.

XIII. STUDENT AFFAIRS COMMITTEE

13.1. The Student Affairs Committee works with the Vice President for ~~Student Affairs and Dean of Students~~Enrollment and Student Life to oversee the various functions in Student Affairs, respective learning outcomes, as well as issues facing today's students. The Committee shall oversee all non-academic matters that might affect or influence the quality of life for students. The Committee is expected to be familiar with campus life, University housing facilities, and policy or conditions affecting such. The Committee will offer recommendations and guidance to the Board as deemed appropriate within the following areas: housing; food service; campus safety and security; health and wellness; extracurricular activities or facilities; religious life; parking; and medical services.

13.2. The Vice President for ~~Student Affairs and Dean of Students~~Enrollment and Student Life shall serve as the liaison officer between the ~~U~~niversity staff and the Committee. The Committee shall include non-voting representatives from Student

Affairs, the Student Government Association, and faculty.

XIV. TECHNOLOGY COMMITTEE

14.1. The Technology Committee helps guide the introduction of new technologies to campus and helps maintain the campus technology infrastructure. The committee shall examine local and global technology issues, provide input and review strategic plans, recommend priorities for IT initiatives, provide leadership and recommendations regarding enterprise level technology-related matters, and direct the coordination of technology-related efforts for the University.

14.2. The Vice President for Information Technology shall serve as the liaison officer between the University and the Committee.

XV. AD HOC COMMITTEES

15.1. The Chair of the Board may from time to time create ad hoc committees, designating the Chairs and members thereof, and requiring each respective committee to report to the Chair of the Board or the Board.

XVI. OFFICERS

16.1 The authorized Board officers of Transylvania University shall be: the Chair; Vice Chair; Treasurer; and Secretary; while the authorized officers of the University shall be the President; Vice President and Dean of the University; Vice President for Finance and Business; Vice President for ~~Student Affairs and Dean of Students~~Enrollment and Student Life; ~~Vice President for Enrollment and Dean of Admissions~~; Vice President for Advancement; and Vice President for Information Technology.

16.2. Chair of the Board of Trustees. The Chair of the Board of Trustees shall preside at all meetings of the Board of Trustees and of the Executive Committee of the Board of Trustees and shall appoint the chairs of all standing committees. The Chair shall serve on the Executive Committee and shall serve as a member of all other committees.

16.3. Vice Chair. The Vice Chair of the Board of Trustees shall exercise the powers and perform the duties of the Chair during the absence or disability of the Chair. The Vice Chair shall serve on the Executive Committee and shall serve as a member of all committees.

16.4. Treasurer. The Treasurer shall, subject to the supervision of the Board of Trustees, have oversight responsibility for the custody of all permanent funds of the corporation,

including endowment, scholarships, other capital funds and property of the corporation. The Treasurer shall serve on the Executive and Finance Committees.

16.5. Secretary. The Secretary shall attend and keep the minutes and records of all meetings of the Board of Trustees and of the Executive Committee of the Board of Trustees. The Secretary shall be custodian of the corporate seal, and shall affix and attest the seal to all requisite documents. The Secretary shall serve on the Executive Committee.

16.6. President. The President shall serve as the chief administrative and executive officer of the University as well as its process agent as required by law. The President is the Board's proxy on campus and manages all of the University's operations. The President shall, with the approval of the Board of Trustees, appoint the chief administrative officers of the University specified in the By-Laws and appoint or approve other administrative appointments necessary to carry out the mission of the University. The President shall serve *ex officio* as a member of the Board of Trustees and as the primary representative of the University to various constituencies, with major emphasis being given to the development of effective communication channels among the faculty, staff, student body, and alumni of the University. The President shall exercise general responsibility for the development of plans to finance current and capital budget and submit for approval of the Board of Trustees the annual budgets of the University. The President shall report on the state of the University when appropriate at regular meetings of the Board of Trustees, the faculty, and other University constituencies. Included in administrative duties as the Chief Executive Officer, is the responsibility for the oversight of fund raising and related activities that will advance the mission of the University. The President shall have general administrative responsibility for day-to-day operations of the University. The President is responsible for the administration of all aspects of the athletics program, including approval of the budget and audit of all expenditures. The President shall oversee all external relations and has general administrative responsibility for day to day operations of the University-

16.7. Vice President and Dean of the University. The Vice President and Dean of the University shall serve as the chief academic officer of the University, reporting to the President while exercising general executive responsibility for the educational program of the institution. Primary responsibilities include the organization, supervision, coordination and evaluation of the administrative subdivisions and officers reporting to the Dean of the University: Associate Dean for Academic Affairs, Faculty Division Chairs, Registrar, Librarian, Institutional Research and Assessment, Career Development, and Special Programs. The Dean of the University shall serve *ex officio* and non-voting on the Committee on Admissions and Academic Standing and the Committee on Program and Curriculum. The Dean of the University shall make decisions upon review of recommendations submitted by the Faculty Concerns Committee and Grants Allocation Committee; the Dean of the University makes recommendations to the President upon review of recommendations submitted by the Personnel Committee. The Dean of the University serves as the administration's liaison to all standing committees of the faculty and will have input and access to the Faculty Concerns Committee, Grants Allocation

Committee, and the Personnel Committee via an invitation from the committee chair and/or a request from the Dean to meet with the committee. The Dean of the University shall assist the Presiding Officer of the Faculty in the arranging of faculty meetings. As the chief academic officer, the Dean of the University shall prepare academic budgets and establish procedures for the continual development and review of the curriculum. The Dean shall also determine the academic status of students and see that the University provides academic counseling and advising services to students.

16.8. Vice President for ~~Student Affairs and Dean of Students~~Enrollment and Student Life. The Vice President for Enrollment and Student Life shall develop, plan, coordinate and implement all programs concerned with enrollment; supervise and coordinate activities of personnel responsible for conducting activities in student recruitment, high school relations, and student financial aid; participate in the long and short-term growth plans of the University, and continuously evaluate the results of enrollment and financial aid efforts; and function as a liaison with high schools and community groups. The Vice President for ~~Student Affairs and Dean of Students~~Enrollment and Student Life shall be the chief student affairs officer of the University, reporting to the President while exercising general executive responsibility for the student life programs of the institution. Primary responsibilities include the organization, supervision, coordination, and evaluation of the administrative subdivisions and officers reporting to the ~~Dean of Students~~Vice President for Enrollment and Student Life: Residence -Life; Student Involvement and Leadership; Health and Wellness; Religious Life; Community Service and Civic Engagement; Sustainability; the Campus Center facility; ~~Parent Programs~~; Counseling Services; and Athletics. The ~~Dean-Vice President for Enrollment and Student Life~~ shall prepare budget requests for these areas under his/her supervision and establish procedures for the continual development and review of all student life policies and procedures. The ~~Dean-Vice President for Enrollment and Student Life~~ shall determine the conduct and status of students - working closely with the faculty and Dean of the University.

16.9. Vice President for Finance and Business. The Vice President for Finance and Business shall serve as the chief fiscal officer and assistant treasurer of the University, exercising general executive responsibility for business and office services of the University. Primary responsibilities include the organization, supervision, coordination and evaluation of the administrative subdivisions and officers reporting to him/her: Controller; Purchasing; Personnel and Payroll; Financial Aid; Food Services; Physical Plant; Safety and Security, and Office Services. The Vice President for Finance and Business shall also coordinate the preparation of the University's annual budgets; supervise control and audit functions over the approved budgets; exercise general responsibility for the approval of general disbursements and check signing; supervise the maintenance of required restricted personnel, payroll, and governmental funds and report thereon; coordinate outside contracted services, non-academic properties, and support services (such as athletic camps, motor pool, bookstore, student grill); be responsible for

the administration of life income and other trusts; arrange for short-term borrowings and temporary investments of current funds of the University in accordance with policies approved by the Investment Subcommittee of the Finance Committee; and serve as designated plan administrator for approved fringe benefit programs. The Vice President for Finance and Business and other University personnel having access to the funds of the University shall be bonded in the amounts approved by the Executive Committee.

16.10. Vice President for ~~Development~~Advancement. The Vice President for ~~Development~~Advancement shall develop, plan, coordinate and implement all programs concerned with fund raising. The Vice President for ~~Development~~Advancement shall supervise and coordinate activities of personnel responsible for conducting activities in the fund raising and church, alumni, and public relations areas; participate in the long and short-term growth plans of the University, and as a part of the President's staff initiate projections of income from private sources as related to University needs; continuously evaluate the results of financial support programs in concert with other appropriate University officers, research philanthropic foundations, match college needs against foundation interests, prepare proposals to such foundations, and arrange for the presentation of these proposals; function as a community liaison officer with civic, corporate and governmental groups.

~~16.11. Vice President for Enrollment and Dean of Admissions. The Vice President for Enrollment and Dean of Admissions shall develop, plan, coordinate and implement all programs concerned with enrollment; supervise and coordinate activities of personnel responsible for conducting activities in student recruitment, high school relations, and student financial aid; participate in the long and short term growth plans of the University, and continuously evaluate the results of enrollment and financial aid efforts; and function as a liaison with high schools and community groups.~~

16.112. Vice President for Information Technology. The Vice President for Information Technology provides technology leadership for the campus and conceptualizes, evaluates, and implements information technology strategies, plans and priorities for a comprehensive campus-wide information technology program. The Vice President for Information Technology shall supervise and coordinate activities of personnel responsible for conducting activities in technology and data management; and continuously evaluate technology strategies and usage in order to suggest enhancements and improvements both for keeping campus technology up to date and to facilitate process improvement to fully utilize available technologies.

16.123. Other Officers. The President shall appoint additional Vice Presidents and such other administrative officers as may be needed to provide for the efficient operation of the University. These officers shall have such responsibilities and perform such duties as may be prescribed by the President.

16.134. Line of Succession. In the event of illness, incapacity, or extended absence of the President, the line of succession in authority is as follows: (1) Vice President and Dean of the College; (2) Vice President for Finance and Business; (3) Vice President for

~~Student Affairs and Dean of Students Enrollment and Student Life. ; (4) Vice President for Enrollment and Dean of Admissions.~~

16.1~~45~~. Board Membership. Of the officers of Transylvania University only the Chair of the Board, the Vice Chair of the Board, the Treasurer and the Secretary must be members of the Board of Trustees. The President shall serve on the Board of Trustees in an *ex officio* capacity.

XVII. NONDISCRIMINATION

17.1. Nondiscrimination. The policy of Transylvania University shall be to provide equal opportunity for all persons including, but not limited to, officers, employees, applicants, and students and to prohibit discrimination because of age, race, color, ethnicity, religion, gender, sexual orientation, disability, veteran status, national origin, or any other classification protected by federal law, state law or local ordinance.

XVIII. AMENDMENTS

18.1. Amendments. These By-Laws may be altered, amended or repealed by the Executive Committee or by a majority vote of the Board of Trustees.

XIX. PRIOR BY-LAWS

19.1. Prior By-Laws. These By-Laws shall become effective upon the date of their adoption and thereupon all By-Laws of Transylvania University previously adopted by the Board of Trustees, whether included in the term "Charter and Statutes" or otherwise, are hereby rescinded and repealed.