R-MWC At a Glance

College Profile: Randolph-Macon Woman’s College was founded in 1891 as a private, four-year liberal arts and sciences college. The College is affiliated with the United Methodist Church and awards Bachelor of Science and Bachelor of Arts degrees and Master of Arts and Master of Education degrees. • Academics: We offer more than 60 majors, concentrations, and programs, most of which can be supplemented by departmental, interdisciplinary, or independently designed concentrations (minors). We also offer pre-professional programs and 3/2 cooperative career programs in nursing and engineering. • Faculty: Ninety-two percent of the R-MWC full-time faculty hold the highest degree in their fields. • Average Class Size: 12. • Student/Faculty Ratio: 9:1. • Students: Our 730 students come from 47 states, the District of Columbia, and over 45 countries and territories. Eleven percent are international, nine percent are of black/non-Hispanic descent, four percent are of Hispanic descent, and three percent are of Asian/Pacific Islander descent.

More Facts

R-MWC was the first women’s college in the south to be granted a Phi Beta Kappa charter and the first to be accredited by the American Chemical Society and the Southern Association of Colleges and Schools. • We rank in the top 10% of baccalaureate-granting institutions nationwide in the percentage of students who go on to earn Ph.D. degrees. This includes both public and private institutions. In Virginia, R-MWC tops all private colleges and all public institutions except William and Mary in the percentage of students who earn Ph.D. degrees. • R-MWC is a member of the International 50, a select group of the top 50 U.S. colleges and universities recognized for international programs and global awareness. These colleges serve as exemplars by providing significant resources in international scholarship and service.

About the Cover: Flags representing native countries of our students are flown on campus.
FROM THE PRESIDENT

College presidents in their last year of office are normally engaged in reflection, assessing institutional accomplishments, and savoring the rituals of an academic community for the last time. And I am doing some of that. But for the most part I am engaged, as is everyone in the College community, in a very intense process of examining the College’s long-term future.

I find myself in a unique position—being able to look back at all that the College has achieved during the past 12 years, as well as look forward to how the College might, over the next 10-15 years, reposition itself while retaining its unique strengths and values in a rapidly changing environment. I want to share both a reflection on the progress we’ve made and a commentary on the higher education landscape for the future—the context in which our planning takes place.

Over the past 12 years, we have succeeded in developing a 21st-century expression of the College’s historic mission of educating and empowering women. We have attracted some of the brightest young women from around the country and the globe to a vibrant liberal arts community committed to excellence—one that develops leaders who can address the challenges of a world in which women play an increasingly crucial role. We have increased both the diversity and quality of the student body; developed new academic majors in Environmental Studies and American Culture; greatly strengthened Asian Studies, Global Studies, and the sciences; developed the Susan F. Davenport Global Leadership Program; established a vigorous program of student/faculty research; developed endowed professorships to bring international scholars to the campus; and created programs to give faculty and students global experiences that have changed their lives. Our success at creating a thoroughgoing international community was validated when, in October 2003, the College was nationally honored as an exemplar of successful globalization.

We entered the 21st century in many other ways. During this period we greatly strengthened athletics—a huge area of demand for today’s young women given the success of Title IX. More than 60% of our entering students played at least one varsity sport in high school. We improved the status of our coaching staff; developed new recruiting strategies for scholar-athletes, and built a new athletic soccer and softball field that is the envy of the ODAC conference. We created a first-year program that includes a major wellness component so that young women establish good habits as soon as they enter the College gates. And we now have architects at work designing a new fitness and activity center to replace the woefully outdated 1961 PER building.

We also brought state-of-the-art technology to classrooms, residence halls, the library, and student social spaces. We completed a multi-million dollar facilities enhancement program, preserving the historic beauty of the College’s architecture while developing contemporary spaces for teaching, learning, and performance. Those renovations converted an old Pines House into magnificent art studios and transformed 23 classrooms, the Leggett Building, Smith Hall Theatre, and Presser Recital Hall. And finally, we created major public programs, such as the Pearl S. Buck Award and the annual symposium, that have raised the College’s public profile both regionally and nationally.
All of these significant transformations were part of a strategic plan initiated upon my arrival and developed by the College community in the mid-1990s. They have been supported by the success of the largest capital campaign in the College’s history, aptly titled “Changing Lives for a Changing World,” which began with a goal of $75 million and will conclude this June with a total of $100 million.

So here we are: a College with an astonishing track record of producing bright and successful graduates; strong and vibrant academic programs; an endowment of $133 million; and the largest campaign in the College’s history with current receipts and commitments of more than $98 million. Why, given all of this, did the Board of Trustees see fit to begin a process that has resulted in market research, valuation of College assets, even a study of the possibility of going co-ed?

As many of you have put it, “How can all of these wonderful things be going on at the College, and suddenly we learn that there are major challenges to address?”

The answer lies in the dramatic changes in both the marketplace and the economics of higher education that have been developing over the last decade and are now being felt keenly by small private liberal arts colleges, and particularly women’s colleges.

We are not an institution in financial crisis. We have the financial resources and talent to sustain us for quite some time. But, given the market forces I am about to describe, you will see the Board’s wisdom in engaging in long-term planning now, with the College in a position of strength, rather than waiting 8 or 10 years with the risk of our market position deteriorating and our resources deployed in unwise directions. Many institutions have made that mistake. Your alma mater will not.

What does the landscape of higher education look like, and how is it already affecting R-MWC? As an editorial comment, let me say that I am personally dismayed by some of the current societal trends, but as a College community we must nonetheless confront their reality.

DECLINE IN DEMAND FOR PRIVATE WOMEN’S COLLEGES AND LIBERAL ARTS COLLEGES. This is an era in which the vast majority of students are looking for large, public, co-educational, and professionally-oriented institutions, often in or near large metropolitan areas. How is R-MWC experiencing this trend? Every year we identify the top ten institutions with whom we share applicants—what we call our “overlap” institutions. Over the past decade, that list has changed significantly. Over time there have been fewer and fewer women’s colleges, fewer and fewer liberal arts colleges, and more and more public institutions on the list. This year, seven of our top ten overlap institutions were public, co-educational institutions—the highest number ever.

When the Art & Science Group conducted its market research on Inquirers (those prospective students who had requested information about the College), they found that not a single private college was named as the preferred college of those surveyed. In that same Inquirer data, co-education was a factor three times as powerful as any other in explaining respondents’ preferred schools. Moreover, nearly half of our admitted applicants (those who completed the application process at R-MWC and were notified of their admission) said they preferred co-education. Those of you with daughters, granddaughters, or nieces understand this trend toward co-education very well. It is very difficult to persuade a 17-year-old to seriously consider a women’s college.

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Seventeen-year-old high school students now believe, whether it is true or not, that their empowerment has already occurred—through single-gender K-12 education or through single-gender math and science classes in public schools, or because they naively believe that their voices will be heard in co-educational classrooms and that equal opportunities await them in the workplace. Admissions staff of women’s colleges routinely hear from high school counselors that they “don’t have any students who ‘need’ a women’s college,” reflecting the growing view that women’s colleges are for those who require special attention and emotional support to get through college.

It should not surprise us, then, that there are now only 61 women’s colleges, compared to the 84 when I came to R-MWC in 1994, and the more than 300 that existed prior to the era when men’s colleges began to admit women.

Being a liberal arts college also has its challenges. Studies have shown over and over again that the general public has very little understanding of what a liberal arts education means. AAC&U, for example, recently conducted focus groups with current and prospective college students from four regions of the country. Here are some of the findings from an article by Carol Geary Schneider and Debra Humphreys:

We found that high school students are almost entirely unfamiliar with the term “liberal education” and that college students are only somewhat familiar with it… Some think it occurs only in the arts and humanities, rather than in the sciences…

For some students, a liberal education is one that is politically skewed to the left. As one college student put it, it is “education directed toward alternative methods, often political in nature.” Whether the pendulum will eventually swing back to women’s colleges, small private liberal arts colleges, and colleges in settings away from big cities is an interesting question. Prevailing demographic movement is toward cities, and the current cultural assumption is unfortunately that bigger is better—whether it’s SUVs, hamburgers, McMansions, or the seating capacity of football stadiums. Those of us who have experienced the intimacy of a classroom of 10-15 students and professors who not only know your name but also your talents and aspirations understand perfectly well that bigger is not better. But to a 17-year-old student, the lure of a university campus is very powerful.

COLLEGE COST

Another major trend relates to the issue of college cost, which has risen dramatically over the last decade. The explanation lies in the tremendous increases in the cost of educating students, who in fact pay only about a third of what it costs to educate them. Institutions face escalating costs in health care, utilities, library and scholarly resources, technology, and many “amenities” that this generation of students is demanding—whether it is rock-climbing walls, apartment-style living, or gourmet food. Meanwhile, parents of this generation of students are bargaining for the “best deal,” and they believe that their sons or daughters are entitled to scholarships. For most families, the bottom line drives most decisions. Parents of accepted applicants compare financial aid offers in the same way that savvy shoppers compare prices on the Internet.
routinely fax us offers their daughters get from other institutions and ask, “Can you beat this?”

From the standpoint of private colleges, a very important development occurred in the early 1990s. The federal government changed its definition of “need” in the awarding of financial aid, opening the door for institutions to use financial aid to shape their student bodies and to try to reduce the cost to the customer, so to speak, to something closer to the tuition of public institutions. This was the advent of tuition discounting. R-MWC began this practice in 1993, just prior to my arrival. It became what economists George Winston and Mike McPherson have termed an “arms race” among private institutions, in which the competition for students has had the adverse effect of lowering net student fee revenue. It also had an adverse impact on lower- and middle-class students, as more and more institutional dollars went into so-called “merit aid,” providing huge discounts for families who could well afford to pay the full bill.

The practice of tuition discounting has reduced net student fee revenue for R-MWC and other private colleges. It is especially acute at women’s colleges, since financial aid is often used as a marketing device to overcome other objections to looking at a single-gender institution. So while our enrollments have remained steady, and our student quality has actually increased, our net student fee revenue has increased only very incrementally and surely not in proportion to our increased costs.

Meanwhile, during this same period, the public sector has been busy repositioning itself. Huge state scholarship programs, such as the Hope Scholarship, have sprouted up everywhere, designed to keep resident students in their home state institutions. And a curious thing happened: study after study has shown that the wealthy more often than not send their children to public institutions, while private liberal arts colleges, with their tuition discounting, have become the places of access for middle- and lower-income students. (This finding has resulted from studies in state after state—Minnesota, Florida, Oregon, and others.)

Then, faced with criticism that they were not serving low-income students, the public universities responded with “access” programs that guarantee students whose families earn below a particular dollar figure an education that will leave them debt free upon graduation. William & Mary, one of our chief competitors, recently created “Gateway William & Mary” to do just this. While we can compete with William & Mary on the basis of quality, we cannot go head to head with them on the basis of price and expect to win. The same is true for the University of Virginia, another of our top five competitors. With the 18-year-old population set to begin decreasing in three years, competition is only going to intensify.

These are a few of the many challenges affecting the future of private colleges, and the Board’s strategic planning process is designed to look them in the eye and devise a plan for the financial stability of the College, not just for the next few years, but for the long term.
ACHIEVING FINANCIAL STABILITY

“Can’t the endowment solve the problem?” Surely, you might be saying, an endowment of $133 million throws off enough revenue to make up the difference.

Endowment income is indeed crucial to the College for operating revenue. In fact, over the past 15 years or so, as tuition revenues have remained relatively flat because of tuition discounting, we have become more dependent on endowment income. During the bull markets of the 1990s, when strong investment performance increased the value of our endowment, the Board was willing to increase our spending from endowment income. However, after the “crash” of 2001, in which the endowment value dropped from $152 million to $100 million, the Board wanted to do all it could to rebuild the endowment for our long-term security. It instituted a plan to reduce the spending rate gradually, and that rate now stands at 6.5%. As the spending rate goes down, we have fewer dollars for the budget, and the reduction required us to cut $1.5 million over the past three years in order to balance the budget.

The prudent spending rate for an endowment, however, is 4% or 5%. That is what protects the endowment against inflation and allows reinvestment of income to the principal. It ensures, in other words, that the College will exist in perpetuity without deterioration in its quality or spending power. Part of the proposed strategic plan, and the Board’s financial model, is to reduce the spending rate to 5% over the next five years. Thus, over time, the plan is for the College to garner an even smaller percentage of its operating revenues from the endowment.

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Well, you say, what about gifts?

Our alumnae are very generous, and we’ve just completed a big capital campaign. True enough. Our alumnae are exceptionally generous—so generous, in fact, that our Annual Fund is 50% larger than those of Sweet Briar and Hollins. When the Annual Fund is already performing at that level, however, it cannot expect to see rapid dramatic growth. Indeed, the Development Office set a stretch goal last year of $3.6 million—which is what we needed for a balanced budget, but we received only $3 million, a more realistic figure.

As for the campaign, we are facing the reality that nearly 40% of the commitments made were deferred gifts—gifts we will receive after the donor dies. These are treasured gifts to be sure, but we have no idea when the College might benefit from them, which makes planning very difficult.

One of the realities of R-MWC is that historically it has not had “mega-donors” who make $75 or $100 million gifts or those transformative gifts that you read about in the newspaper—such as happened at the University of Richmond. In fact, in the campaign now concluding, we did not have a single gift at even the $5 or $10 million level; gifts in that range are considered crucial for establishing the nucleus of a successful campaign. Whether donors are reluctant to make gifts of that magnitude because they wonder about the viability of women’s colleges is an interesting question, and one to which we do not have the answer. So for the long-term future, it is not clear that we can count on large increases in major gifts. Even if we could, increased giving will not resolve the challenges we face in our marketplace of 17-year-old women.

What the College must do to ensure its future is threefold: increase giving; strengthen endowment; and improve our position in the marketplace. Work has been under way in each of those areas in the strategic planning process. A&S has already done a study of alumnae and will undertake a survey of selected donors in the spring. A consultant has examined our Annual Fund strategies to recommend improvements. An investment task force has revised investment policy and restructured the College’s portfolio.

The College must also take action so bold that it will create a larger applicant pool—large enough to allow us to reduce the discount rate. Parents who are able to pay must also be willing to pay.

As you know, the Board originally asked A&S to probe the market to identify ways in which R-MWC could retain its status as a women’s college of high caliber yet be financially viable for the long term.

You know from Board President Jolley Bruce Christman’s letter that the market research findings were not especially encouraging in that regard. The researchers found that to remain a single-gender institution that is financially viable over the long term would require more students than the market research study suggested would be forthcoming, as well as more than $100 million of new unrestricted endowment within a period of 5 or so years. That is a major challenge.

Everyone in the campus community, including the Board of Trustees, hoped and expected that the study would show that with one of the distinctive future identities that were tested, we could capture enough of a shrinking market to sustain ourselves for the long term.

I want to make a comment on the Board’s decision to proceed to do a second study—that of the co-ed option, this time to see if it is possible
for R-MWC to retain its important rigor, character, and values yet attract men to an institution with a distinctive identity.

What is being done is a study of the co-ed option. Studying the feasibility should not be confused with an assumption of its desirability, and a study does not constitute a decision.

It means that the Board is doing its due diligence and exercising its fiduciary responsibility here, as it is in so many other ways. The study will include men, women who previously expressed no interest in the College, and women who have indicated interest. It will also test whether any additional initiatives hold the promise of sufficiently dramatic market appeal to enable Randolph-Macon Woman’s College to remain a single-gender institution.

It is not yet clear that becoming co-ed would make a small private college in Lynchburg, Virginia, any more attractive. And there are other options being explored that include new revenue-producing programs and creative alliances with other institutions that would allow us to remain single-gender.

I can identify with those of you who are troubled by the inclusion of co-education as an option to examine, just as you can well imagine my own feelings and those of my colleagues as this research goes forward. It feels invalidating somehow, to have market data that suggest that despite our quality, values, history, and success at empowering women that we are somehow not attractive, that we may have to change some important dimension of our character. “Oh,” you may say, “she’s leaving in six months, she can’t possibly understand the feelings of alumnae.”

That would be wrong. I came to Randolph-Macon Woman’s College because it was a woman’s college, because it was a liberal arts college of high academic standing, because of its unique character, its tone, its atmosphere, its energy. Indeed, I turned down a job at a good co-ed college in the Midwest to make this choice. I have spent 12 years living and breathing the mission of this College 24/7, advocating for it at every turn, witnessing on a daily basis the empowerment of the next generation of women leaders.

Loving this College and asking hard questions about its future are not contradictory. Indeed, to love it is to be vigilant about how it can best position itself in the midst of external forces beyond our control: a society that has, sadly, come to value big over small, ordinary over excellent, credentials over real education. It is a society that pretends that women have equal standing with men. It is a society that therefore does not encourage many of its 17-year-olds to look seriously at places such as Randolph-Macon Woman’s College.

Nonetheless, I am confident that the innovative and pioneering spirit that created our College will prevail. That solutions will be found that honor the values and dreams we have all found so electrifying behind the red brick wall, solutions that enhance the power of this special place to transform the lives of women.
The 2004-05 fiscal year of Randolph-Macon Woman’s College ended with a slight surplus, marking our second consecutive balanced budget, and only the fifth balanced budget in the past 25 years. This surplus was achieved through aggressive general expense reductions totaling $450,000 and the use of one-time revenue sources totaling $640,000.

Balanced budgets are a perplexing backdrop for a discussion of maintaining financial equilibrium. The issue, however, is not whether the most recent budget is balanced, it is positioning R-MWC so that financial equilibrium is maintained into the future. Two overarching factors provide a framework for understanding this quandary:

(1) there is very limited potential for growth in our traditional revenue sources, and
(2) further expense reductions will likely jeopardize the quality of the institution.

I hope that the question and answer section that follows will explain the need for bold changes to ensure the College’s continued financial viability.
The concept of financial equilibrium was developed at Stanford University and clarified by Cambridge Associates in a 1987 publication entitled “Analytic Frameworks for Long-Range Planning at Colleges and Universities.” The concept, as published by Cambridge, has been widely adopted in higher education as providing a road map for sustainable financial practices.

What are the College’s primary revenue sources?
As shown on the next page, the College’s primary revenue sources are net tuition and fees, endowment income, and gifts. Over the past 15 years, the expansion of financial aid has resulted in a reduction of the College’s ability to rely on net tuition and fees, and a corresponding increase in dependence on endowment income and gifts to balance its annual operations.

How does the College’s discount rate compare with that of its peers?
The College’s tuition for 2004-05 was $21,360, and the average institutional financial aid grant was $13,251, yielding a discount rate* of 62%. In 2003-04, the average discount rate for our peer institutions was 42%. At this rate, our peers received an average net tuition of $12,837 per student, while R-MWC received an average net tuition of $7,978 per student. The College’s necessary reliance on financial aid to attract students has resulted in relatively stagnant net tuition revenues over the past ten years.

The concept of financial equilibrium was originally developed at Stanford University and has been commonly adopted throughout higher education. It typically consists of four financial tenets:

1. Current income is equal to or greater than expenses. Although the concept of a balanced budget is straightforward, budgets must be balanced without eroding financial and physical assets, as described below.

2. Projected growth in income is equal to or greater than growth in expenses. The trend of income and expenses over time is as important as their current relationship.

3. Spending from endowment is at or below a level that preserves its real purchasing power after adjusting for investment returns, gifts, and inflation. The practical effect of spending more than the real (inflation-adjusted) return on the endowment’s investments is that current faculty and students are subsidized at the expense of future generations, or at the expense of the future financial viability of the institution.

4. Expenditures or contributions to reserves for renewal and replacement of physical plant and equipment are at or above a level that preserves their useful life. If projected budgets do not provide for the renewal and replacement of physical plant and equipment, the College is consuming its physical assets and will eventually face financial difficulties.

*Discount rate is the percentage that is produced by dividing total institutional financial aid grants by total tuition and fees (exclusive of room and board) received.
Q Can the College reduce its financial aid packages?
We have learned that when we reduce financial aid packages, there is a corresponding reduction in enrollment. For example, we attempted this in 2002-03, and enrolled an incoming class of 176 first-year students, compared to a goal of 205. While we have been able to stabilize our discount rate at 62% for the past several years, our current level of market demand will not allow us to reduce this rate, and may precipitate continuing increases in the discount rate.

Q What is the financial impact of recruiting international students?
Positive. While the financial aid packages provided to international students are slightly more generous than those granted to domestic students, the total net revenue (comprehensive fee minus financial aid) generated by the average international student actually exceeds that of the average domestic student. This is due to the fact that international students typically remain at the College through graduation, whereas over 20% of domestic students leave during or after their first year, and only 62% of domestic students graduate from the College. In addition, the College has unused capacity (beds, classroom space, etc.), so the international student population has been a financially stabilizing component of the student body. Indeed, without our international students, who also greatly enrich the College’s educational environment, the College would be in a much weaker competitive and financial position.

Q Can the College raise more in Annual Fund gifts to balance future budgets?
Annual Fund receipts totaled $3.2 million, $2.8 million, and $3.0 million for 2002-03, 2003-04, and 2004-05, respectively. Two of our near-
est peers, both single-sex institutions, raise approximately $1.8 million in Annual Fund revenue per year. While our Development staff continues to refine its methods for achieving higher Annual Fund revenues, our past experience indicates it will be difficult to increase this revenue source.

Q Has the College reduced expenses as many businesses have had to do?

The College has reduced its general expenses (exclusive of salaries and benefits) by a total of $1.4 million over the past four years. In addition, the College has eliminated selected staff positions, implemented a hiring freeze for some positions and a 30-day hold on filling others, and aggressively assessed opportunities for revenue enhancements and expense reductions. As a result of these efforts, the College’s 2003-04 annual expenses were $4 million less (or 15% less) than its nearest peer institution.

The nature of a residential college demands a certain level of staffing and expenditures regardless of whether we enroll 700 or 1,000 students. For instance, we will need the same support from student services, security, administration, and faculty. For this reason, the College effectively has a high level of fixed costs and does not have any other significant opportunities for expense reductions. In fact, numerous benchmarks indicate that the College has reduced its expenditures too far. For instance, our average faculty salaries have declined by 13% over the last 10 years as compared to the national average for similar positions. The Buildings and Grounds budget, which is responsible for maintaining our aging facilities, is severely under-funded. Most importantly, there are no budgetary resources available for strategic initiatives and institutional improvement.

In at least one instance, the concept of financial equilibrium would indicate a need to increase expenditures. The fourth tenet of financial

HOW IS ENDOWMENT DRAWDOWN CALCULATED?

The Board of Trustees determines how much revenue will be drawn from the endowment in any given year. For the 2004-05 budget year, the Board approved an endowment spending rate of 6.6%. While historical investment returns justified endowment spending at this level, predicted future investment returns dictate a reduction in the spending rate. The College’s 10-year average annual investment return was 11.7% as of June 30, 2004. Assuming an average annual inflation rate of 3%, this would allow the College to spend 8.7% without eroding the purchasing power of the endowment (reference financial equilibrium tenet 3). For the fiscal year ended June 30, 2005, the College’s investment return declined to 6.7%, and industry professionals are consistently predicting annual returns averaging no greater than 7% over the next ten years. Continuing the assumption of an average annual inflation rate of 3%, the College should reduce its annual endowment spending rate to at least 5%, and preferably to 4%. A spending rate reduction to 5% would result in nearly $2 million less endowment income available to support the College’s operating budget annually.
equilibrium points out the long-term jeopardy of not sufficiently funding plant renewal and renovation. The industry standard for annual reinvestment in physical plant is 2-3% of the replacement value of the facilities. At R-MWC, this would equate to annual reinvestment in facilities of $2.5-$3.5 million. Unfortunately, the College is only able to fund $200,000 of this annual need. While our campus continues to generate comments about its architectural beauty, this shortfall in funding for plant renewal is becoming more and more evident and must be addressed in the near future.

Q We have raised over $98 million in the Vita Abundantior campaign. How can we still be facing such critical financial challenges?

Similar to most capital campaigns, the Vita Abundantior campaign recognizes outright gifts of cash, in-kind gifts, and estate or planned gifts that will benefit the College at a future date. Through December 31, 2005, 56.2%, or over $55 million, of the campaign’s total commitments have been received; the balance is in estate commitments, trusts, and pledges. Of the more than $55 million received, $26 million was in annual gifts that supported the operating budget, $8 million was used to support initiatives of the College, and $17 million was added to the College’s endowment to support future generations.

ENDOWMENT ASSET ALLOCATION
In the early stages of the strategic planning process, the Board of Trustees convened a committee composed of faculty, staff, and investment professionals of the Board to assess the asset allocation of the College’s endowment. The committee’s work resulted in a restructuring of the endowment to maximize long-term investment returns while minimizing short-term fluctuations in the endowment value, as shown at right.

CONCLUSION
The Board is looking beyond this year’s operating results to the long-term health of the institution. Because the College does not have significant opportunities for further expense reductions, it must look to expand its revenues in order to remain viable for future generations, and will need to consider bold initiatives to do so.

The most significant opportunity for achieving long-term sustainability will be enrolling more students at a lower average discount rate. In order to accomplish this, we must achieve a much stronger competitive position within the higher education marketplace.

While there is general consensus within the investment community that average annual endowment returns over the next decade will not exceed 7%, new gifts to the endowment can and do have a significant impact on this essential source of operating revenue. We need those who are able to contribute such transformational gifts to make the College a priority in their philanthropy.

Although it is the smallest of the three major revenue sources, there is a tremendous amount of potential in the Annual Fund. Many donors have sustained their giving at a set amount for over ten years; while all
gifts are greatly appreciated, the cost of maintaining the College has not remained constant over the past ten years. We need every alumna to recognize how important her financial support is to the College. While our percentage of participation is favorable compared to many institutions, 62% of our alumnae did not make a gift to the College in 2004-05. R-MWC is an institution where every gift makes a tremendous difference in the lives of future generations!

Fortunately, the College is analyzing its long-term sustainability from a position of strength. I am confident that everyone’s diligent work and the commitment of all of the College’s constituencies will enable the institution to remain financially viable for generations to come.
Operating Results for the Fiscal Year Ended June 30, 2005

Revenues:
Net fee revenue $10,672,252
Endowment income $8,658,131
Gifts $4,002,561
Bookshop $76,644
Short-term interest $278,578
Other $193,065
TOTAL $23,881,231

Expenditures:
Educational and general $20,985,923
Dining and residence halls $1,092,279
Bookshop $122,625
Debt service $1,653,661
TOTAL $23,854,488

Surplus $26,743

Statement of Financial Position as of June 30, 2005

Assets:
Cash and cash equivalents $5,891,131
Accounts and notes receivable $1,507,420
Contributions receivable $7,222,671
Investments $140,878,212
Bond origination costs $297,506
Land, buildings, and equipment $33,622,123
Funds held in trust by others $2,368,962
Other assets $271,005
TOTAL ASSETS $192,059,030

Liabilities:
Accounts and interest payable $1,765,524
Student and other deposits $199,368
Trust and annuity obligations $3,893,035
Post-retirement benefit obligation $1,582,825
U.S. government grants refundable $634,147
Debt $24,444,511
TOTAL LIABILITIES $32,519,410

Net Assets:
Unrestricted $59,036,170
Temporarily Restricted $38,859,720
Permanently Restricted $61,643,730
TOTAL NET ASSETS $159,539,620

TOTAL LIABILITIES AND NET ASSETS $192,059,030
This year’s President’s Report includes images from the 2005 Summer Research Program.

AN R-MWC STRENGTH: SUMMER RESEARCH

The College’s highly regarded summer research program, now in its seventh year, unites R-MWC students and faculty in intensive academic research. Many of the participating students have been asked to join their advisors in presenting their research findings to professional societies.

Students praise the eight-week program as an invaluable experience, and faculty prize the uninterrupted research time. The program offers R-MWC women academic opportunities normally accorded graduate students, and it has been instrumental in helping a number of our students to select their field of graduate study.

In 2005, campus research projects included active laboratory and field studies and ranged from the investigation of phytoremediation of lead in Lynchburg to research into medieval manuscripts.

The summer research program was initially supported by the Jessie Ball duPont Fund and a gift from Jewelle Wooten Bickford ’63. The program has been so successful that the College is now creating a summer research endowment fund supported by a generous bequest from the estate of Carol Lovell ’63 and gifts from Helen McCarley Hilseweck ’37 and the Jolley Foundation. Additional funding for this endowment will be provided by John W. Landis, trustee emeritus. A faculty member who wishes to remain anonymous but who feels strongly about the importance of the program has also provided support.
The Alumnae Bulletin, the official publication of the Alumnae Association of Randolph-Macon Woman's College, was created in 1905 to support and advance the educational and humanitarian goals of the College by fostering the interests and activities of alumnae.

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