

To paraphrase Willie Sutton: "We operated unaccredited 'schools' in Wyoming because they gave us a license to steal the money!"

It had to be easier than robbing banks.

And when they get caught, few go to prison. Not "none," but few.

Just like the Wall Streeters, the hedge fund managers, and bank executives, owners of unaccredited degree sellers took and took and took large sums of money from "students" who expected to get a degree of some value after they had completed at least a modicum of work.

Now, as this house of cards is falling, with Kennedy-Western University, Warren National University, Preston University and Lacrosse University being evicted from states they long considered their safe havens - and other nefarious operations like American Global, Breyer State, American City and Paramount University of Technology, among others, operating from the back of a U-Haul truck, more students are realizing they've been had.

Yes, there are still some apologists and some defenders of places like Kennedy-Western and Warren National but they are becoming fewer and fewer as the realization sets in with these buyers of degrees that they have little of value to show for the \$7,500, \$9,000, even \$12,000 they paid for a degree they now have to conceal. As the national publicity regenerates and states like Wyoming, Alabama

and Mississippi, the Three Stooges to the scurrilous operations, have tossed them asunder, they have few places to land.

Breyer State moved so fast from Alabama to Idaho to California that the tuition checks are probably just now catching up to them. California is attractive because they have no laws against these low-lives resurfacing there. And when you elect a Austrian bodybuilder your governor, sooner or later you're going to have the huge financial problems California now faces and even operations as bad, as fraudulent and as embarrassing as these degree sellers have no priority.

Education has been given pretty much a free rein in the country. States like Wyoming wanted to believe they were allowing alternative education to flourish when, in fact, they were providing cover for a bunch of Willie Suttons to set up shop in our state. The Wyoming Department of Education and our state legislators knew this was a shell game they were enabling. Why did they allow it to take root in Wyoming after so many other states had declared these operators persona non grata? Because we want to be something we don't deserve to be. With the limited population and huge expanses, not many businesses choose to relocate or expand into our state. Instead, we attract outfits like Great Lakes Aviation and the likes of

Kennedy-Western and Preston University.

The excitement of being the center of any form of worldwide "education," albeit it one selling degrees, not providing a legitimate education, obscured their vision of just what a lousy business category we were incubating. And these pretenders didn't choose Wyoming, particularly Cheyenne, because it is convenient or had anything special to offer. Well, we did offer something special - a state-approved "license" to sell college degrees. Almost every other state threw these rascals, these bums, over the side years earlier.

And if it hadn't been for the upstart Cheyenne Herald, Wyoming would still be a safe haven for a dozen or so unaccredited degree sellers.

It is very sad to read all over the internet that Kennedy-Western, Warren National and their ilk "must have been legitimate" because the State of Wyoming oversaw their operations and granted them a license to practice their trade. Many, many students are now posting on decent forums and blogs that they relied on the State of Wyoming's "approval" to enroll and pay thousands of dollars tuition to gain a KWU or WNU degree.

They relied on us. And our Legislature and Department of Education failed them.

Was it graft or ignorance?

Probably some of each.

Statutes were written that required "someone" to travel to visit the headquarters of these thieves. And you don't have to stick up a 7-11 with a gun to be a thief. Bernard Madoff has proven that. And in spite of Congressional hearings that named Wyoming's "Favorite Thief" as one of the leaders of the degrees-for-sale bunch, nothing was done until 2006 - after the Cheyenne Herald had published several articles about the subject and disclosing Cheyenne's police chief as one of the degree buyers - with public money.

Legislation approved in 2003 could have been drafted by Kennedy-Western. They had an office in the basement of the former J.C. Penney Building downtown and the legislation, instead of tightening the screws on outfits like KWU by requiring them to become accredited, only required them to have a "presence" and an employee. That they already had.

Department of Education employees were supposed to provide some oversight. They didn't. They were more interested in traveling to Guatemala, Pakistan, UAE and London. None of the shady outfits in Cheyenne had their license pulled. Ever. When a top employee of Homeland Security was "outed" as having a master's degree from an Evanston motel-room-

occupying, degree-selling, tuition-collecting, Wyoming-"approved" fraud, the spotlight got too bright for even the Wyoming Department of Education to ignore.

When the law regulating post-secondary degree granting institutions was changed in 2006, the State had to have then realized what they had nurtured. Forced to become accredited or leave, all but Kennedy-Western fled immediately. It, instead, changed its name to try to distance itself from its past, usurping the good name of "Warren" to camouflage a reborn operation as Warren National U.

It is bothersome to read the plaintive words of students who are now left in the lurch. Those who thought they had earned a degree of value because, after all, the State of Wyoming had "approved" the operations of Kennedy-Western and others, are now recognizing just what they own. Some are still satisfied. Some paid the large sum of money just to "have" a degree, with limited utility or not.

Many former KWU/WNU "students" write about how hard they worked to get their degree. A degree that they only recently learned was worth little. Small employers seldom check credentials - either past work experience or education. If they saw the name "Kennedy-Western University" on a job ap or resume, it meant nothing to them. They thought they were hiring a college graduate. With heightened publicity, some will learn they didn't. In this job environment, what will that mean to employees with these "degrees?"

One who robs a c-store, trying to get enough money so he can take his child to a medical clinic for desperately needed care, will go to prison when caught. Executives on Wall Street and the owners of these degree sellers will not. One gets \$47.00 for his risk, the other \$200 million.

How did the larger thief get off without facing prison time? Simple. The State of Wyoming. Our state was a knowing, willing and deliberate accomplice to this crime. And, yes it was a crime. Taking money from someone under false pretenses is a crime. KWU/WNU did not say it was accredited. Neither did it tell victims that KWU/WNU had been the subject of a Senate hearing. Nor that several states do not consider, and most large employers do not accept, a degree from KWU/WNU as legitimate. Few, almost no, accredited colleges accept degrees from KWU/WNU nor transfer credits from them for degree granting purposes.

KWU/WNU would not even hire its own graduates for its own faculty positions! Didn't that tell the WDOE anything? Shame on us. We failed people all over our nation and all over the world. We allowed, we encouraged, the deceit that robbed them of their hope. Shame on us.

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Provides more from the K-WU financial statements

ALERT!

Preston University has resurfaced
3731 Wilshire Blvd.
Suite 506, Los Angeles 90010
Six listed faculty have UW degrees
They will be identified on our website
One is a current
Wyoming State employee



Kennedy-Western University

"Virtual Education for the 21st Century"®

later known as Warren National University

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by DaveFEATHERLY

When I presented some data from five year-old Kennedy-Western University financial statements, I did not expect to hear how rare that information was. Being the subject of a congressional hearing, I had assumed that both supporters and opponents of KWU knew a great deal about the company's financial position. I was surprised to learn that some of the most respected authorities in the field of unaccredited degree sellers had very little to no specific information to go on, and that the disclosures by the Cheyenne Herald provided, to some at least, the most intimate and revealing information about this particular degree seller since the Susan Collins (R-ME) Senate hearings - and the most financial information ever about Kennedy-Western.

What I provided a few days ago was just their income information - their profit / loss data. The 17 pages of audited financial statements provided much more. I think some of this information might help to dispel the notion held by KWU supporters that this was a righteous company. You can decide for yourself.

Briefly, what was provided recently was limited data from the audit of calendar year 2003, which also included comparative data for calendar year 2002. As a reminder, KWU showed \$24.7 million in revenue in '03 and \$18.4 million in 2002. Most of that revenue came in the form of "Tuition income." Almost 97% each year.

I may provide so many details that some readers' eyes will roll back into their head but as an old bean counter myself, I think the story is best understood with the provision of more details, not fewer.

For those who thought, or may continue to think, that Kennedy-Western was simply a misunderstood pioneer in online, no campus, distance education, consider this: In 2003, when tuition revenue was \$23,117,181, textbook commissions was only \$104,553. That can mean other things but the first impression is that they were providing "education" without much textbook reading or reference. Because it's referred to as "commissions," maybe KWU did not receive direct revenue from the sale of textbooks. Defenders on the internet forums often refer to the hard work they had to do - reading their textbooks - to buy earn their nebulous degrees.

Let's assume that each "student" paid KWU \$7,500.00, on average, in tuition fees. Whether that's high or low, I don't know. It's just for illustration purposes. With that average, KWU would have had 3,082 students paying tuition to them. Those same students would pay just \$33.92 on average for textbooks - either from KWU or commissionable to KWU. That doesn't sound like much in textbooks for \$7,500.00 tuition.

Again, to review specifics on the KWU income statement for those years, please refer to our website or to page 7 in the March 17, 2009 Cheyenne Herald.

From the KWU "Statements of Stockholders Deficit," it appears things weren't always so profitable for the degree seller. As of December 31, 2003, KWU had two classes of stock that had netted \$120,000 in 20 years and a little over \$6.5 million in "Additional paid-in capital." Against that, though, they showed almost \$11.0 million in accumulated deficit, for a "Total Stockholders Deficit" of \$4,313,954. **Deficit!** That ain't good.

That could be the result of things much too difficult to explain here. If you have an accountant friend, ask them for an explanation. The net result is a little better than AIG but nothing to write home about.

The KWU balance sheet for those two years is very revealing. It is apparent that they undertook a major recruiting drive in 2003. With what success? (KWU didn't use their revenue to buy much - it must have been used pretty much to live the good life.) Here are the details of their Current Assets and Current Liabilities:

	December 31, 2003	December 31, 2002
Cash and cash equivalents	\$ 1,923,890	\$ 887,645
Short-term investments at fair value	4,042,197	4,471,988
Accounts receivable, less allowance for doubtful accounts of \$1,715,000 in '03 and \$970,000 in '02	9,887,491	3,074,185
Deferred Income Taxes	1,818,000	2,645,000
Prepaid expenses and other current assets	1,063,128	618,935
Total current assets	18,734,706	11,697,753
Accounts payable and accrued expenses	\$ 1,392,592	\$ 1,329,760
Income taxes payable	1,085,000	1,014,030
Deferred income, current	17,089,727	12,106,730
Current portion of long-term debt	1,170,000	1,206,777
Total current liabilities	20,737,319	15,657,297

There are several interesting and some troubling things about the KWU balance sheet.

First, they convinced reputable auditors that they had accumulated accounts receivable of almost \$10 million at year-end 2003, while having just \$3.1 million at the end of the previous year. That means they were booking as "sales" an awful lot of promises. Was the entire amount collectible? No. Even KWU knew it. One thing a business doesn't want on its books is a ton of uncollectible accounts. KWU expected to **not** collect over 17% of the receivables they booked in 2003.

As bad as that was, in 2002, KWU expected **not** to collect almost a third of the receivables they booked. That is incredible. An auditor should balk at recognizing receivables if the client thinks a third of the amount may not be collected. Because there is no detailed income statement, there is no way of knowing what bad debt expense KWU actually suffered in those years.

To increase current assets by over 60% in one year - as small as this operation was - borders unbelievable. Either they had a fantastically productive year, or they were booking dubious receivables. Methinks the latter. Most of KWU's current liabilities were from "Deferred revenue, current," and that means they booked the revenue but hadn't delivered the services.

According to the Notes to the audited financial statements, KWU had a refund policy. Not all students agree that they practiced that when they became Warren National University. One way to comply is to not take or return phone calls. The meter doesn't start to run until a "student" has demanded a refund for undelivered services. The Notes say, "The University provides a reserve for estimated refunds." I can't find where that is shown in KWU liabilities or what amount was "reserved."

Vagueness is common in these '03, '02 audited financials. For example, to explain KWU's long-term debt of \$3,394,998 at 12/31/2003 and \$4,564,998 at 12/31/2002, the Notes offer: "Note payable to a lender, secured by substantially all of the University's assets, ..." follows by the payment schedule. States that required filing of financial statements should have demanded specificity. If the lender is a principal of KWU, that should be noted. If it is a foreign lender, that should be noted. If it is a recognized U.S. bank, ditto. KWU also had a \$1,000,000 line of credit "with a lender." Again, no identification as to the lender. Why the secrecy?

In 2003, KWU showed an operating income of \$4,655,182. In 2002, it was \$1,871,764.

Note 11 to the KWU financial statements should be most troubling to KWU defenders and apologists: "The University has a 401(K) and profit sharing plan covering substantially all employees. Employee contributions to the 401(K) are matched at the discretion of the University. -- The University elected not to make any 401(K) contributions for the years ending 2003 and 2002. Profit sharing contributions are discretionary and determined by the University's Board of Directors. No profit sharing contribution was made in 2003." Why? Perhaps because owners are cruds but most likely because they knew the profit they booked was not real profit. Any contributions to 401(K) plans or profit sharing plans has to come out cash - not promises. With \$4.6 and \$1.9 million in operating income, no contributions were made to employee plans. What a lousy employer.

A possible explanation for wanting their financials to look better than they were is that it was then that Wyoming was considering legislation to begin to tighten the screws on unaccredited degree sellers who had made this state their business address. By appearing very prosperous and profitable, they probably were told that Wyoming would not make any changes to affect the KWU operation. They also gave money to the State Republican Party at the same time. In 2003, the changes made did **not** adversely affect KWU. In 2006, however, the law was changed to require post-secondary degree granting joints to become accredited or leave. Kennedy-Western (WNU) tried but failed. Now they will close.

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