November 12, 2018

VIA ELECTRONIC MAIL

Len Munsil, President
Arizona Christian University
2625 E. Cactus Rd.
Phoenix, AZ 58032

Dear President Munsil:

This letter is formal notification of action taken by the Higher Learning Commission (HLC) Board of Trustees ("the Board") concerning Arizona Christian University (ACU or "the Institution"). This action is effective as of the date the Board acted, November 1, 2018. In taking this action, the Board considered materials from the recent Notice Evaluation, including, but not limited to: the Notice Report, the report from the Notice Evaluation team, the Staff Analysis of the Notice Report, and the institutional responses to these reports.

Summary of the Action: The Board determined that the Institution is no longer at risk of noncompliance with the Criteria for Accreditation and removed the Institution from Notice. The Institution meets Core Components 3.C, 5.A, and 5.C with concerns. The Institution is required to submit an Interim Report, as outlined below, no later than June 30, 2019.

Board Rationale

The Board based its action on the following findings made with regard to the Institution:

The Institution now meets without concerns Criterion Two, Core Component 2.C, “the governing board of the institution is sufficiently autonomous to make decisions in the best interest of the institution and to assure its integrity,” for the following reasons:

- The Firestorm Future Fund obligation has been satisfied. The bridge loan has been assimilated into a long-term loan that consolidated the Institution’s bond issues ($8 million) and previously held lines of credit and short-term debt (approximately $3 million). ACU budgeted $840,000 in the current fiscal year for debt service.
- Since the filing of the 2017 interim report, ACU has sought a line of credit from conventional bank sources, and while ACU has not yet secured a line of credit, they were in the process of making application to a possible source during the Notice Visit.
- In 2016, the HLC Board included a note under Core Component 2.C regarding the possibility that ACU may have engaged in a possible Change of Control, Structure or Organization without proper notice to the Higher Learning Commission. This concern
arose from agreements with a third-party service provider. Documentation clarifying these relationships was provided in the interim report reviewed and accepted by HLC on February 28, 2017 and since that time, the organization involved in the agreement has ceased operations. ACU has hired an individual who performs the same functions internally.

The Institution meets Criterion Three, Core Component 3.C, “the institution has the faculty and staff needed for effective, high-quality programs and student services,” but with concerns for the following reasons:

- ACU has made progress in hiring staff for student support. There are currently 13 student support personnel and two open positions. Open positions include the Senior Coordinator of Student Success and Student Enrollment Counselor. All current personnel have the minimum of a bachelor’s degree. Six have a master’s degree while two have terminal degrees.
- While the ACU administration has taken steps to address staff needs, the Notice evaluation team agreed with the previous team and the Institutional Actions Council that ACU has work yet to do in order to prioritize faculty staffing levels in resource allocations.

The Institution now meets without concerns Criterion Four, Core Component 4.A, “the institution demonstrates responsibility for the quality of its educational programs,” for the following reasons:

- The Institution has been able to contact some 1,200 of its alumni via social media, the data from which has been integrated with third-party tools to the ACU database and is overseen by Advancement. Survey data has been shared with the President’s cabinet and academic leadership to make them aware of any needed programmatic changes. Thus, ACU has found a suitable means of ascertaining the success of its graduates.
- While program review at the Institution is still in its nascent stage, ACU has hired an academic dean who oversees assessment and program review for all academic areas encompassing 16 degree programs. While it remains true that minimum data has been collected to date, the new dean has created a detailed and exemplary plan that is now underway.
- ACU understands the program review process, has hired new personnel to do it, has already collected a minimum amount of data, and is in the process of collecting more. Sufficient data should be available for in-depth inspection at ACU’s upcoming comprehensive review.

The Institution now meets without concerns Criterion Four, Core Component 4.B, “the institution demonstrates a commitment to educational achievement and improvement through ongoing assessment of student learning,” for the following reasons:

- ACU has collected three cycles of data, and a fourth cycle was being prepared for the end of the academic year.
- The Institution has a well-devised framework for its assessment process that is modeled after a successful program at a faith-based school similar to ACU, and programmatic
changes have been made in various majors as a result of the assessment process.

- Under its new Dean of Students, the Institution has defined four co-curricular objectives that will serve as the foundation and basis of all co-curricular activities.
- ACU provided evidence that there is Institutional resolve to continue doing this work, and it appears there will be an adequate sample of program improvements based on assessment results in the next comprehensive visit.

The Institution now meets without concerns Criterion Four, Core Component 4.C, “the institution demonstrates a commitment to educational improvement through ongoing attention to retention, persistence, and completion rates in its degree and certificate programs,” for the following reasons:

- The Institution has developed a strong academic success strategy through its tutoring programs:
  - Tutoring is available to all ACU students who avail themselves of it in every subject.
  - The tutoring center has a 76% success rate in helping students obtain a grade of 'C' or better when they avail themselves of the center’s services.
  - This success, coupled with the strong tutoring support offered by the sports and athletic programs, is helping students become more academically successful and should prove helpful in retaining higher numbers of students.

- The Institution has raised the first to second-year retention rates to 67%. While there is more work to be done in raising the overall graduation rate, the Institution is paying attention to this set of issues and has obtained qualified people to do the work.

The Institution meets Criterion Five, Core Component 5.A, “the institution’s resource base supports its current educational programs and its plans for maintaining and strengthening their quality in the future,” but with concerns for the following reasons:

- The Institution ended the 2016-17 fiscal year with a surplus of $352,194, which was used to reduce the funding required to retire the Firestorm Fund note.
- The Institution demonstrates that it is able to meet its current financial obligations:
  - While a line of credit would offer elasticity in operational cash flow, ACU has proven ability to operate within its budget.
  - At the time of the visit, ACU continued to seek a conventional source for a line of credit, which would greatly ease cash flow concerns in nonrevenue producing times; however, the Institution has not yet secured this arrangement.
- ACU has targeted retention as one of its strategic plan goals and has improved First Time in Any College (FTIAC) retention from 52% (fall 2015 to 2016) to 67% (fall 2016 to 2017).
- While finances remain a challenge, the Institution continues to meet its financial goals and has increased its CFI from 1.72 to 2.1 in the last year through refinancing and reduction of debt as well as increasing revenue.
- ACU has done an outstanding job of developing donors and increasing both the numbers and levels of donations.
The Institution now meets without concerns Criterion Five, Core Component 5.B, “the institution’s governance and administrative structures promote effective leadership and support collaborative processes that enable the institution to fulfill its mission,” for the following reasons:

- ACU Board minutes from November 29, 2017 reflect that the ACU Board unanimously approved a resolution requiring that its current budget and rolling strategic plan “provide funding that assures cash flow without incurring a conflict of interest within the current members of the Board of Trustees or restricting needed input from current board members” as required by the Higher Learning Commission in its Action Letter dated Nov. 16, 2016.

- While recent and current financial successes have alleviated some of the financial concerns, the lack of a line of credit removes some elasticity from operational funding. The Institution has identified non-board members with resources who have provided bridge funding, but this is not a permanent solution. The Institution is currently seeking a conventional line of credit and is encouraged to do so as soon as possible to create a more permanent funding environment.

The Institution meets Criterion Five, Core Component 5.C, “the institution engages in systematic and integrated planning,” but with concerns for the following reasons:

- The Institution has put emphasis on planning over the last two years. The current five-year rolling plan is well designed and has objectives related to finances, academics, growth, leadership, and facilities. Each objective has departmental goals selected to address the objective. A comparison of the 2016-17 and 2017-18 plans illustrates that the Institution reviewed its plan and made adjustments according to available data. There is evidence that, as the plan matured, objectives became more refined.

- It is too early in the process to determine whether the plan is strategic and based on realistic parameters, as there were examples of ACU basing some planning on opportunity rather than strategy. It was not always clear how the Institution made decisions to adjust the plan from one element to another or why some elements, such as full-time faculty numbers, were not incorporated into the planning discussions or objectives.

- The enrollment management function needs more specific planning if ACU is to successfully grow its tuition revenue through student growth. Additionally, there are no corresponding objectives to increase staffing, including full-time faculty, to meet the demands of large, planned growth.

- Since ACU has only recently received approval for online degrees and indicates a desire to add Master’s degrees at some future date, more planning is needed that describes how these programs will be created and launched:
  - Planning will be necessary to create a graduate culture that is objectively different from the undergraduate culture, and there is a need to describe how both the online and master’s programs will impact the budget structure.
  - Most importantly, the plan needs to more directly address the teaching and learning environment in all modalities.
  - The academic portion of the plan mainly addresses student support services and budgetary concerns (enrollment and retention) and contains only one element
President Munsil, November 12, 2018

The Institution has otherwise demonstrated that it is in compliance with the Criteria for Accreditation, Assumed Practices, and Federal Compliance Requirements and is no longer at risk of being out of compliance with the Criteria.

Next Steps in the HLC Review Process


Comprehensive Evaluation: The Institution has been maintained on the Standard Pathway with its next comprehensive evaluation for reaffirmation of accreditation in 2021-22.

HLC Disclosure Obligations

The Board action resulted in changes that will be reflected in the Institution’s Statement of Accreditation Status as well as the Institutional Status and Requirements Report. The Statement of Accreditation Status, including the dates of the last and next comprehensive evaluation visits, will be posted to the HLC website.

Information about this action is provided to members of the public and to other constituents in several ways. In accordance with HLC policy,¹ this Action Letter and the enclosed Public Disclosure Notice will be posted to HLC’s website not more than 24 hours after this letter is sent to the Institution.

HLC policy² requires that a summary of Board actions be sent to appropriate state and federal agencies and accrediting associations. It also will be published on HLC’s website. The summary will include this HLC action regarding the Institution.

On behalf of the Board of Trustees, thank you in advance for your cooperation. If you have questions about any of the information in this letter, please contact your HLC Staff Liaison, Dr. A. Gigi Fansler.

Sincerely,

Barbara Gellman-Danley
President

¹ INST.G.10.010, Management of Commission Information
² COMM.A.10.010, Commission Public Notices and Statements
Enc: Public Disclosure Notice

Cc: Chair of the Board of Trustees, Arizona Christian University
   Evaluation Team Chair
   Teri Stanfill, Executive Director, Arizona State Board for Private Postsecondary Education
   A. Gigi Fansler, Vice President for Accreditation Relations, Higher Learning Commission
   Anthea Sweeney, Vice President for Legal and Governmental Affairs, Higher Learning
   Commission