



March 2, 2022

VIA ELECTRONIC MAIL

Dr. Jon Kulaga, President
Ohio Christian University
1476 Lancaster Pike
Circleville, OH 43113

Dear President Kulaga:

This letter is formal notification of action taken by the Higher Learning Commission (HLC) Board of Trustees (“the Board”) concerning Ohio Christian University (“the Institution”). This action is effective as of the date the Board acted, February 25, 2022. In taking this action, the Board considered materials from the recent Notice visit, including, but not limited to: the Notice report the Institution submitted, the report from the Notice visit team, the report of the Institutional Actions Council (IAC) Committee, 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 5.B and 5.C with concerns. The Institution is required to submit an Interim Report, as outlined below, no later than December 2022.

Board Rationale

The Board based its action on the following findings made with regard to the Institution as well as the entire record before the Board:

The Institution continues to meet, but with concerns, Criterion Five, Core Component 5.B, “the institution’s resource base supports its educational offerings and its plans for maintaining and strengthening their quality in the future,” for the following reasons:

- The fiscal year 2019 financial statements show a total long-term debt level of \$6,834,200 and the debt-to-equity ratio was 36.1%. As recently as fiscal year 2017 the ratio exceeded 50%. The fiscal year 2020 financial statements showed long-term debt of \$8,445,219 and debt-to-equity ratio of 33.04%. The June 2021 balance sheet shows total long-term debt increased to \$10,835,753 and a debt-to-equity ratio of 35.27%. The Institution does not appear to have had any violations of its loan covenants since the 2019 visit. Further, to help avoid covenant violations in the future, over an eight-month period starting in August 2020, the Institution set up an “internal line of credit” to provide emergency liquidity if needed.
- The Institution balanced its budget, including through a combination of cost reductions

and revenue additions. A task force identified \$300,000 in cost savings that included increasing average class size to reduce the number of course sections. Giving increased 3.5% in fiscal year 2021. The Institution selectively eliminated seven staff positions as individuals left the university or retired, with a reported cost savings of at least \$250,000. Other cost-saving measures include contracting with the Education Advisory Board (EAB) to provide marketing and enrollment services. This will help to stabilize enrollment, although a review of enrollment census data shows a slowing decline in enrollment as fall 2021 began. Revenue enhancements and cost savings total more than \$1.5 million.

- The Institution has hired a new Vice President of Advancement. Fundraising goals have been reviewed and modified to be more realistic given the Institution's recent history and near-term possibilities, and a number of promising initiatives have been implemented. The new five-year advancement plan for fiscal years 2022 through 2026 includes measures in multiple commonly tracked areas such as alumni, businesses, trustees, church, employees, and estates and trusts. The plan has realistic measures and expectations.
- Instead of a lump sum payment covering its debt, the Institution has come to an agreement with the U.S. Department of Education to make \$50,000 monthly payments over 52 months to satisfy its \$2,538,845 obligation, or \$600,000 annually, which helps reduce the annual effect on the resource allocation process.
- The Institution's \$1 million operating loss for each of the next five years has been revised. The most recent projection contains operating losses that decline over this five-year period, starting with a \$1 million decline over the first two-year period, then declining by a few hundred thousand dollars per year. If the assumptions are close to being accurate, the Institution will report a CFI far above the zone.
- Significant uncertainty remains about the Institution's ability to reach the targets for enrollment, net tuition, fundraising, expenses, and net operating income contained in its single set of projections. Because there is an absence of additional scenarios or sensitivity analysis for multiple variables, it is not clear that the Institution has considered planning for additional scenarios.

The Institution continues to meet, but with concerns, Criterion Five, Core Component 5.C, "the institution engages in systematic and integrated planning and improvement," for the following reasons:

- The Institution has updated its strategic plan multiple times in response to changes in revenue and the COVID-19 pandemic, to bring it into alignment with the Institution's current capacity. Included in the updated plans were changes to the enrollment goals in light of current trends, more realistic fundraising goals, and a delay in new campus construction until funds could be raised instead of borrowing more money and returning to an unhealthy debt-to-equity ratio. These changes in enrollment and fundraising projections are then incorporated into the five-year financial planning model called COMP4cast in collaboration with the strategic business partner CFO Colleague, which is updated every December.
- The five-year advancement plan provides a sound context for realistic goal setting for

future fundraising. It also outlines plans for building a major donor base; increasing success in estate giving; engaging employees and alumni better; and improving fundraising through businesses, the Board of Trustees, and the Church of Christ in Christian Union that supports the Institution. Early gains have already been made using this plan through the creation of an alumni board and increased numbers of alumni making donations.

- A formal written Facilities Department plan for the years 2020-2024 contains a detailed regular deferred maintenance schedule as well aspirational goals and a prioritized list for campus capital improvements if funds are available. The plan also contains a list of under-utilized buildings that were either recently sold or on the market to be sold to help lower the debt-to-equity ratio and provide an internal line of credit should budgets become tight.
- The Institution has made changes in its resource use to support priorities in the strategic plan. It has also demonstrated a commitment to meeting enrollment goals in the strategic plan by, for example, making a financial commitment to hire EAB as a strategic enrollment partner.
- The Institution has committed to a strategic plan and is adapting that plan to accomplish its goals. The current strategic plan has set goals within a financial model that leads to an improvement in the Institution's financial situation. This financial model was generated using more realistic enrollment and fundraising goals than was previously the case. This is an improvement over the previous plan that indicated deficits in excess of \$1 million every year.
- The Institution continues to make progress on its strategic plan. Several long-term decisions have been made, such as only building new facilities if sufficient funds have been raised rather than carrying or adding to a high debt burden over the next several years.
- An Enrollment Plan for 2021-2024 was developed in collaboration with the strategic partner EAB. It focused on the typical admissions funnel goals of numbers of inquiries, applications, admissions, deposited students, and enrolled students. It also laid out goals by month for numbers of newly enrolled online students. This plan addressed new students but did not provide a sensitivity analysis and did not address overall campus enrollment, which is greatly influenced by retention and persistence. The plan also lacked information about whether reaching new enrollment goals would require a shift in the targeted population of new students and did not contain information about the tuition discount rate that would be needed to reach those goals.
- The COMP4cast five-year financial model provides a much more sophisticated overall analysis of enrollment and includes important information such as expected discount rates, net tuition revenue, forecasted new traditional enrollment numbers that matched the EAB projections, forecasted overall enrollment, and total expected tuition revenue from all modes of program delivery. However, the Institution does not appear to have alternative models in which higher or lower discount rates were analyzed for how they might affect enrollment and overall tuition revenue, nor does it have other financial models typical of a sensitivity analysis, such as models using flat or declining enrollment.
- Though the Institution now has a sophisticated tool for financial forecasting, it has not

employed the tool to the extent needed to ensure that planning includes consideration of shortfalls in enrollment and fundraising.

The Institution no longer requires follow-up related to the Federal Compliance requirement, Title IV Program Responsibilities, for the following reasons:

- The Institution is committed to satisfying its financial commitment to the U.S. Department of Education (USDE). The USDE letter dated January 4, 2021 notifying the Institution of its findings from the 2019 program review included an estimated liability of \$2,560,755 owed to the USDE. In March 2021, the USDE also sent a contract to the Institution outlining the repayment of its debt. In April 2021, the Institution agreed to pay \$50,000 in monthly installments for a period of 52 months to repay its debt. The final payment will be due in July 2025. The Institution is current with its financial repayment obligation to date.
- The Institution has worked to align its financial aid practices with those of the USDE by establishing strategies and tactics as outlined in the financial aid policy and procedure change document. This new procedure ensures consistent alignment, accuracy, and compliance with standards put forth by the USDE.
- The Institution has taken corrective actions in increasing its administrative capabilities, improving its transfer of federal funds, correcting inaccurate information and recordkeeping, eliminating credit balance deficiencies, improving entrance and exit counseling deficiencies, and improving the accuracy of student data. The Institution has stopped enrolling students who did not have a complete application on file, which was one of the primary issues that contributed to the non-compliance finding. The Financial Aid Office is no longer disbursing aid until a student has both completed their application and enrolled in classes.
- In its April 2021 letter informing the Institution of its final program review determination, the USDE stated: “All requirements have been addressed. The institution may now consider the program review closed, with no further action required.”

The Board of Trustees of the Higher Learning Commission has determined based on the preceding findings and evidence in the record that the Institution has otherwise demonstrated that it is in compliance with the Criteria for Accreditation, Assumed Practices, and Federal Compliance Requirements and is not at risk of noncompliance with the Criteria, and thus, should be removed from Notice.

Next Steps in the HLC Review Process

Interim Report: The Board required that the Institution submit an Interim Report no later than December 2022 regarding Core Components 5.B and 5.C.

Comprehensive Evaluation: The Board maintained the Institution on the Standard Pathway with its next comprehensive evaluation (Year 4) in 2023-24.

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.

In accordance with HLC policy,¹ information about this action is provided to members of the public and to other constituents in several ways. This Action Letter and the enclosed Public Disclosure Notice will be posted to HLC's website not more than one business day after this letter is sent to the Institution. Additionally, a summary of Board actions will be sent to appropriate state and federal agencies and accrediting associations. This summary 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. Gigi Fansler.

Sincerely,



Barbara Gellman-Danley
President

Enc: Public Disclosure Notice

Cc: Chair of the Board of Trustees, Ohio Christian University
Bradford Sample, Provost, Ohio Christian University
Evaluation Team Chair
Tom Sudkamp, Vice Chancellor, Academic Affairs, Ohio Department of Higher Education
A. Gigi Fansler, Vice President of Accreditation Relations, Higher Learning Commission
Anthea Sweeney, Vice President of Legal and Regulatory Affairs, Higher Learning Commission

¹ COMM.A.10.010, Notice of Accreditation Actions, HLC Public Notices and Public Statements