HIGHER LEARNING COMMISSION
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March 4, 2020

BY CERTIFIED 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 27, 2020. In taking this action, the Board considered materials from the most recent comprehensive evaluation, including, but not limited to: the Assurance Filing the Institution submitted, the report from the comprehensive evaluation team, the report of the Institutional Actions Council (IAC) Hearing Committee, and the institutional responses to these reports.

Summary of the Action: The Institution has been placed on Notice because it is at risk of being out of compliance with the Criteria for Accreditation. The Institution meets Core Components 5.A and 5.C with Concerns with concerns and requires monitoring related to the Federal Compliance Requirements.[1] The Institution is required to host a Notice Visit no later than September 2021 to determine whether the Institution has ameliorated the findings that led to the imposition of the sanction.

Institutional Disclosure Obligation: HLC policy[2] requires that an institution inform its constituencies, including Board members, administrators, faculty, staff, students, prospective students, and any other constituencies about the sanction and how to contact HLC for further information. The policy also requires that an institution on sanction disclose this status whenever it refers to its HLC accreditation. HLC will monitor these disclosures to ensure they are accurate and in keeping with HLC policy. The Institution must submit drafts of its planned disclosures to these various audiences to its HLC Staff Liaison in advance of transmission and provide the Staff Liaison with a link to relevant information on its website. At a minimum, an institution must: i) provide a copy of this Action Letter to its governing board, administration, and faculty, ii) provide a copy of

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[1] The Core Components cited herein reflect those as stated in the Criteria for Accreditation effective on February 27, 2020. Please note that as of September 1, 2020, HLC's Revised Criteria for Accreditation will be effective. As such, since the Institution's next review will take place after this date, the Institution must ensure that it appropriately addresses the underlying concerns cited in this Action Letter in the context of the Revised Criteria for Accreditation. HLC has published a Criteria for Accreditation Crosswalk, which is available on the HLC website, to assist institutions.
[2] INST.E.10.010, Notice.

the enclosed Public Disclosure Notice to its currently enrolled students, and iii) prominently display the Mark of Affiliation where accreditation status is described on its website. Once disclosures have been made, the Institution must submit copies of its disclosure documents as a single .pdf file to disclosures@hlcommission.org no later than 14 days following receipt of this Action Letter. HLC will retain this information as part of the Institution's record.

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 meets, but with concerns, 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," for the following reasons:

- The Institution carries a heavy debt burden and must allocate resources based on preexisting debt contracts which are legally obligatory. The 2019 notes to the financial statements state that the Institution violated a loan covenant. The lending agreement requires the Institution to engage an outside consultant to evaluate operations to identify cost savings and revenue enhancements to increase the likelihood that the covenant will be met in the future.
- The Institution needs to have $1.5 million in cost reductions in the current fiscal year to balance the budget and achieve compliance with the covenant. These reductions have not yet been identified and are in addition to the substantial reductions that have been made during the past two years.
- The Institution has ambitious fundraising goals and has not articulated clear action steps for accomplishing these goals. There was an exodus of large donors when the previous president left.
- Modified financial projecting does not support the enrollment goals outlined in the Institution's strategic plan. No adequate enrollment forecast with sensitivity analysis exists at the Institution.
- The Institution acknowledges an obligation to repay nearly $1 million to the U.S. Department of Education (the "Department") and may be required by the Department to pay additional interest and fees. The Institution has set aside resources to cover the anticipated financial aid repayment to the Department and associated interest and fines. These funds have been segregated in its accounts and will not be available for current operations until the Department obligation has been satisfied. These obligations affect the resource allocation process.
- Beginning with FY2020, the Institution's financial model predicts approximately a $1 million operating loss for the next five years – a total loss of $5,066,034 through FY2024. This model was based on the Institution's analysis of its full cost from FY2013 through FY2019. The Institution has the resources to operate for 3 to 4 years. The Institution has begun the process of liquidating three fixed assets that do not impact its current operating capacity. The cash from the sale of these assets will be segregated in the Institution's accounts as an internal line-of-credit to be used as

needed in those months that have a net cash outflow and replenished within the academic year during those months that have a net cash inflow.

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

- The Institution has a strategic plan that was created with buy-in from campus stakeholders. The plan, however, is not soundly based on the Institution's current capacity.
- The Institution's budget is not in alignment with its stated priorities.
- The Institution has strategic plan elements from several years ago, new strategic plan elements based on its current circumstances, recent financial recommendations to consider, and a financial projection model based on past experiences. The articulation of these component parts will need to be developed to allow the Institution to make decisions and monitor the effects of implementing those decisions as it conducts operations and works to improve its future financial situation.
- The Institution does not have an adequate enrollment forecast with sensitivity analysis, well-developed financial forecasts, or procedures for implementing and communicating the action items within its strategic plan.
- The Institution does not have meaningful financial plans, enrollment management plans, fundraising plans, or facilities plans.

The Institution requires HLC follow-up with respect to the Federal Compliance requirement, Title IV Program Responsibilities, for the following reasons:

- A 2017 Program Review from the Department concluded that a lack of administrative oversight and a lack of sufficient internal controls led the Institution to inappropriately keep excess Federal Student Aid funding and improperly distribute loan funding to ineligible students in 2016. The Department concluded that the Institution had breached its fiduciary responsibility. In response to the Department's findings, the Institution will refund the Department nearly $1 million in financial aid disbursements, plus potential interest and fees.
- The Institution has made changes in operational structures to ensure that this situation does not occur again.
- The Institution must demonstrate that all agreed-upon monies and penalties have been returned to the Department and that appropriate structures, procedures, and policies are in place to ensure that these problems do not occur again.
- No issues were identified with the most recent Department reviews of the Institution's composite ratios and financial audits in 2016, 2017, 2018. Further, there have been no fines, penalties, letters of credit or other requirements imposed by the Department.

The Board of Trustees of the Higher Learning Commission has determined based on the preceding findings and the evidence in the record that the Institution is at risk of being out of compliance with the Criteria for Accreditation.

Next Steps in the HLC Review Process

Notice Report: The Board required that the Institution submit a Notice Report no later than July 1, 2021, or at least eight weeks prior to the Notice Visit, providing evidence that the Institution is no longer at risk for non-compliance with the Criteria for Accreditation and that it has ameliorated the issues that led to the Notice sanction.

Embedded Interim Report: The Board required that the Institution submit an embedded Interim Report with its Notice Report on the Federal Compliance Requirements.

Notice Visit: The Institution will host a Notice Visit no later than September 2021 to determine whether the Institution has ameliorated the findings that led to the imposition of Notice and to make a recommendation about whether to remove Notice or take other action.

Notification Program: The Institution has been removed from the Notification Program for Additional Locations.

Board Review: The Board will review the documents associated with the evaluation at its February 2022 meeting to determine whether the Institution has ameliorated the findings of Met with Concerns and is no longer at risk of noncompliance with the Criteria for Accreditation and thus whether Notice shall be removed, or if the Institution has not ameliorated the findings, or is no longer in compliance with the Criteria for Accreditation, whether other action should be taken under HLC policy, up to and including withdrawal of accreditation.

Comprehensive Evaluation: The Institution has been maintained 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,[3] 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 24 hours 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.

[3] INST.G.10.010, Management of Commission Information; COMM.A.10.010, Commission Public Notices and Statements

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
Bradley Sample, Provost, Ohio Christian University
Evaluation Team Chair
IAC Hearing Committee Chair
A. Gigi Fansler, Vice President of Accreditation Relations, Higher Learning Commission
Anthea Sweeney, Vice President of Legal and Regulatory Affairs, Higher Learning Commission
Stephanie McCann, Associate Vice Chancellor, Program Development & Approval, Ohio Department of Education
Herman Bounds, Director, Accreditation Group, Office of Postsecondary Education, U.S. Department of Education