HIGHER LEARNING COMMISSION

230 South LaSalle Street, Suite 7-500
Chicago, IL 60604-1411
312.263.0456 | 800.621.7440
Fax: 312.263.7462 | hlcommission.org

November 8, 2021

BY CERTIFIED MAIL

Janice Parker, President
Taylor Business Institute
180 N. Wabash Ave.
5th Floor
Chicago, IL 60601

Dear President Parker:

This letter is formal notification of action taken by the Higher Learning Commission (HLC) Board of Trustees ("the Board") concerning Taylor Business Institute ("the Institution" or "TBI"). This action is effective as of the date the Board acted, November 4, 2021. 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 2.A and 5.B with concerns. The Institution is required to host a Notice Visit no later than April 2023 to determine whether it has ameliorated the findings that led to the imposition of the sanction.

Institutional Disclosure Obligation: HLC policy[1] 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 the enclosed Public Disclosure Notice to its currently enrolled students, and iii) prominently display the Mark of Accreditation Status 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 www.hlcommission.org/upload (by selecting "Information about Institutional

[1] INST.E.10.010, Notice.

Disclosures") no later than seven (7) business days following receipt of this Action Letter. HLC will retain this information as part of the Institution's record.

Substantive Change: HLC policy[2] requires that an institution placed on Notice be subject to additional requirements for substantive change during the Notice period and for three (3) years following the removal of Notice.

Notification Program: HLC policy[3] states that an institution placed on Notice is ineligible to apply for the Notification Program for Additional Locations until it has completed ten (10) years in good standing as required for access.

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 Two, Core Component 2.A, "the institution establishes and follows policies and processes to ensure fair and ethical behavior on the part of its governing board, administration, faculty and staff," for the following reasons:
>
> - As referenced more fully in Core Component 5.B below, the Institution has not consistently made timely or full payroll tax payments to the Internal Revenue Service (IRS). When faced with insufficient cash, the Institution prioritized the continuity and quality of its educational programs over its obligation to make payroll tax payments in full.
> - The Institution's leadership hired legal counsel to work with the IRS on this obligation while ensuring that TBI paid what it could.
>
> The Institution meets, 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:
>
> - In 2018, the Institution achieved net income of $389,128 on revenues of $1,987,410. Ordinarily, the resulting 19.5% margin would be viewed positively. However, over $700,000 in other income is attributable to the one-time removal of a payroll tax liability. Without this unusual occurrence, the Institution would have operated with a net loss of over $300,000.
> - In 2019, the Institution showed some improvement in revenues ($2,178,181) and achieved operating income of $28,410 and an operating margin of 1.3%. After taxes and net interest expenses, the Institution reported a net loss of $49,919.
> - The Institution suffered enrollment losses in 2020 after the onset of the Covid-19 pandemic. Revenues dropped to $1,500,490. However, substantial cost-cutting enabled the Institution to report operating income of $83,547. Due mostly to the

[2] INST.F.20.040, Substantive Change.
[3] INST.E.10.010, Notice.

receipt of a CARES Act grant of over $90,000, net income increased to $175,713. Revenues and expenses were both approximately $900,000 after the first six months of 2021.

- The Institution generated a net operating cash outflow of $106,029 in 2018. This metric improved in 2019, though there was still a net operating cash outflow of $10,170. Despite the aforementioned net operating income of $83,547 in 2020, the Institution's cash outflow from operating activities deteriorated to $170,796. Some of this deterioration can be explained by increases in accounts receivable over the past three years. The Institution's accounts receivable stood at a modest $40,534 at the end of 2018, grew almost 268% to $149,097 at the end of 2019, and grew an additional 158% to $385,822 at the end of 2020. The anticipated uncollectible portion of accounts receivable has increased from approximately $16,000 (10.73% of all receivables) in 2019 to $98,556 (25.5% of receivables) in 2020.
- It is taking longer for TBI to convert its receivables into cash. This, plus the overall deterioration in cash flows from operating activities, will likely continue to exert negative effects on the Institution's liquidity. Over the past three years, the Institution has increased its notes payable by approximately $96,500 and has received a paid-in-capital cash infusion of $450,000 from its president (the Institution's sole shareholder) in order to provide operating cash for the Institution.
- The aforementioned $450,000 cash infusion enabled the Institution to report a CFI score of 2.29 for 2020. Without this paid-in-capital cash infusion, the CFI score would have been much lower, which would have continued a decade-long pattern of reporting scores "below" or "in" the zone. Such funding is not sustainable, and the Institution must generate cash from its core operations as opposed to other financing sources or it runs the risk of becoming insolvent.
- It appears that the first occurrence of non-payment of payroll taxes took place in 2008 or 2009. The Institution appears to have not paid approximately $200,000 in payroll taxes during that first episode. Though these non-payments appear to have occurred before HLC granted Candidacy status to the Institution, they are pertinent because additional non-payments of payroll taxes occurred after HLC granted initial accreditation. Institutional leadership may erroneously view non-payment of payroll taxes as a viable method of maintaining solvency when faced with cash shortfalls.
- The Institution did not pay the full amount of payroll taxes in several quarters between 2017 and 2019.
- The Institution's 2020 balance sheet includes a $325,000 liability for accrued payroll taxes. In 2018, the Institution, through its attorney, applied for an Offer in Compromise (OIC) that may reduce the amount owed, although even without penalties and interest, the remaining amount would be approximately $229,000. If the OIC is rejected, monthly payments would be approximately $2,300 and could be accommodated by institutional cash flow. Because operational cash flows are already negative, without a substantive financial improvement, such accommodation may eventually require additional paid-in-capital cash infusions or loans.
- There is a disparity between the operational results reflected in the internal budget and those of the audited financial statements. The 2020 budget provided in the

institution's response to the team report indicates actual net income of $138,268. The audited financial statements indicate net income of $175,713. Such a disparity is concerning for an institution of TBI's size given its CFI scores and financial condition.

- With the exception of enrollment for the 2021 summer quarter that was larger than anticipated, there are no indicators that enrollment at TBI has started to increase consistently. The Institution's administration is aware of the need for an effective social media marketing process, but this has yet to be implemented. The Institution is extensively tuition-driven and without a significant sustained increase in enrollment to generate more revenue than expenses, the Institution's financial status will continue to weaken.
- It is clear that the Institution continues to face financial challenges and, notwithstanding its communications with the IRS, has shown an unacceptable pattern of incomplete, delayed, or unpaid payroll taxes in the face of financial challenges. It is equally clear that the Institution requires significant attention to its internal financial controls.

The Board of Trustees of the Higher Learning Commission has determined based on the preceding findings and 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 February 1, 2023, 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.

Notice Visit: The Institution will host a Notice Visit no later than April 2023 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.

Board Review: The Board will review the documents associated with the evaluation at its November 2023 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 for reaffirmation of accreditation in 2026-27.

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,[4] 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. A. Gigi Fansler.

Sincerely,

Barbara Gellman-Danley

Barbara Gellman-Danley
President

Enc: Public Disclosure Notice

Cc: Chair of the Board of Trustees, Taylor Business Institute
Malik Iqbal, Dean of Academic Affairs, Taylor Business Institute
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
Ginger Ostro, Executive Director, Illinois Board of Higher Education
Herman Bounds, Director, Accreditation Group, Office of Postsecondary Education, U.S. Department of Education

[4] COMM.A.10.010, Notice of Accreditation Actions, HLC Public Notices and Public Statements