

June 06, 2022

Dear Commissioners,

Sofia University thanks the WSCUC Review Team for their time and expertise throughout the reaffirmation of accreditation process. We are grateful for the opportunity to have our esteemed colleagues review our progress. We appreciate the feedback we received during and after their offsite review in November 2021 and on-site review in April 2022. In Sofia's continued commitment to strategic, educational, and operational improvement, the Review Team's recommendations and feedback will support and guide our efforts as we move forward.

We are pleased that the WSCUC Review Team recognized Sofia's improvement particularly in the past two years under new leadership and the revitalization of and the transformation of our Board of Trustees and the support of Sofia SPC Board of Directors. As WSCUC had previously identified their concern that the Board of Trustees did not seem qualified or independent, we committed to changing the composition over the past two years. This commendation acknowledges our work to recruit and develop an *"engaged, invested, and well-rounded Board that is both supportive and uniquely equipped in experience and expertise to oversee Sofia University's transformation."* The engagement of Sofia's Board has been augmented by our regular all "Campus Conversations," Sofia's monthly Community of Practice meetings for staff and faculty, extensive staff, faculty and student inclusion in the WSCUC Self-Study process, and increased efforts to facilitate regular and consistent Faculty Senate and Board of Trustees engagement.

Sofia is also pleased that the WSCUC Review Team recognized our concerted efforts to improve instructional technology and design as well as their appreciation of our fine personnel *"who have assisted faculty and students in implementing shared and user-friendly course blueprints and are poised to assist faculty in moving Sofia University's online instruction to the next level."*

The WSCUC Review Teams' recognition of a *"vibrant enthusiasm expressed by all constituents"* and their *"university-wide commitment"* to engagement with our underlying belief and practice of transpersonal psychology was further appreciated. We are proud of our community and its work to integrate our transpersonal tenets within and across programs and disciplines and truly define Sofia University as a distinct and unique brand focused on professional practice, work integrated learning and community engagement. Finally, we are honored that the team recognized our engagement in *"a meaningful self-study process that has yielded a greater understanding of and collaboration across the institution."* Sofia University's reaffirmation of accreditation process, not unlike transpersonal psychology's description of self-reflection leading to internal change, has been a transformative experience and resulted in positive change for our community members. We appreciate both our WSCUC Liaison's, Vice President Mark Goor, and the Review Team's valuable guidance.

There are, however, some observations contained in the team report that Sofia would like to explore, clarify, or provide more context to:

- 1) In Component 2: Review Under WSCUC Standards and Compliance with Federal Requirements, Standard 1: Defining Institutional Purposes and Ensuring Educational Objectives, section A. Institutional Purposes (CFRs 1.1-1.4), on page 7, the WSCUC Review Team wrote, *"Yet, the*

institution seemed reluctant (or unable) to explain the existence of an equity gap between its Black or African American and multiracial students' graduation rates and that of other students."

Sofia University is committed to addressing this issue. Indeed, any perceived reluctance or inability to discuss an equity gap may instead reflect the low number of African American students that have enrolled at Sofia University as seen in specific data based on four African American students (See page 16 of the report). We acknowledge Sofia's need to improve and focus on its diversity recruitment and equitable support of African American students. As a university that focuses primarily on working professionals returning to enhance their professional practice through further study and, more recently, international students, we have had limited opportunities to target the recruitment of racialized and diverse domestic students. The Sofia University Equity, Inclusion, Diversity, and Accessibility Task Force and the Strategic Enrollment Plan committee are addressing these concerns with goal and budget setting as well as recommendations for both the University and the Board of Trustees.

- 2) In the next paragraph on page 7, it is written, *"The Faculty Handbook includes language demonstrating the institution's commitment to academic freedom for its faculty. It was not readily apparent that academic freedom applied to students and staff (CFR 1.3)."*

Of note, in Sofia's student handbook, Academic Freedom is addressed in two areas (Confidentiality and the Grievance Policy). This issue will be addressed in a new Staff Handbook.

- 3) In Standard 3, section B, Fiscal, Physical, and Information Resources and on page 11, the Team wrote *"With the three years of negative net revenue, the Team is concerned that the necessary financial resources to maintain adequate technology to provide the services consistent with the institution's educational objectives and student learning outcomes could be in question due to its financial uncertainties."*

While the statement is technically correct, it fails to acknowledge the trend line in negative net revenues that have significantly declined since significant cost reductions were instituted with the hire of the new CFO (2019: -2.3 M, 2020: -3.2 M, 2021: -0.17M) nor the current projections for a surplus in the 2021-2020 fiscal year. In addition, Sofia recently entered multi-year contracts with internet vendors for both the PA and CM campuses and a multi-year agreement for Canvas.

- 4) In Component 5—Student Success: Student Learning, Retention, and Graduation, on page 16, the Team wrote, *"While gender parity for students completing three or more terms between 2017-2020 has been achieved (with men at 77% and women at 75%), "between 2017-2020 the three-term retention for all ethnic groups averaged 77%, except for students identifying as Black or multiracial." It is explained that "[h]ere, the percentage is 50% with the caveat that the total number of students identifying as Black was four, and for multiracial, the total was four."*

Here again, we would suggest that this conclusion based on a sample size of four students would be questionable. However, the low number does confirm that Sofia University would benefit from increased efforts to diversify recruitment and student support services, particularly with African American students in mind. We recognized that although we have a significant Asian and older student population, Sofia University does not have a history of attracting many African American students. This is a problem we are genuinely focused on and is currently being addressed with our EIDA Task force. Recommendations and early efforts include implementing a climate survey, student focus groups, exit interviews, policy changes, focused recruitment, and EIDA training and

education for all staff and faculty. With the recent establishment of the *Sofia Development and Research Foundation*, a targeted bursary and student support fund has been established to support racialized, minority and LGBTQ+ students. The decision to initiate this discussion and undertake these efforts are a direct result of our own self-reflection prior to and reaffirmed during the Self-study process.

- 5) In the same section, on page 17, the Team found that *“the paragraph concerning the BAP graduation rates ends with this: “As this program expands to include a STEM focus, it will increase its attractiveness thereby increasing graduation rates.” The logic seems to be that increased enrollment will lead to increased graduation rates; however, this reasoning is fallacious.*

In this case, we would respectfully disagree with the Team’s conclusion. Based on market research supporting the attractiveness of STEM programs and growth of STEM-based job opportunities, we believe Sofia will continue to attract committed, graduation and job focused students. We recognize that increasing enrollment does not automatically increase graduation rates. However, by attracting a student who is interested in job placement near our Palo Alto or Costa Mesa campuses in the growing STEM fields, and with appropriate student support, we deduce that graduation will increase as students seek education for employment. To assure increased graduation rates, we have implemented a career center, work-integrated learning, internships, and focused student services to support our students’ education and entry into the growing fields of STEM related industries.

- 6) In Component 7: Sustainability: Financial Viability; Preparing for the Changing Higher Education Environment, the Team concluded on page 20, *“In fact, Sofia University has functioned with an operational deficit from 2018 through 2021, thereby jeopardizing compliance with CFR 3.4. The Team found the university primarily focuses on enrollments for its financial stability yet has been unable to meet its enrollment targets up to the time of the visit.”*

Our conclusion is of a more positive nature and is supported by additional financial context and correct enrollment projections. As previously mentioned, the operating deficit has been reduced from \$3.2M in 2019-2020 to \$176,00 in 2020-2021. The 2022-2023 Operating Plan predicts at least a \$500,000 surplus. As well, a Line of Credit of \$5M established by the owner in 2019 continues with a balance of 1.39 million. There is an additional \$1 million in certificates of deposits and an additional \$1.4 million funding letters of credit.

Regarding new enrollment targets, Sofia’s recruitment target for FY20-21 was 164, actual new recruitments total 192, a 17% increase over target. For Summer, target was 32 (increase over last summer of 23) while actual so far is 92. In addition, our year over year total student population has similarly increased. Spring 2021 was 204 and Spring 2022 is 288. Sofia’s Beifang programs will cycle through almost 2,400 students for FY 21-22. Furthermore, the MATPO program, brand new for FY21-22, has already enrolled 133 Chinese students. Therefore, in 2021-2022 we have exceeded our domestic targets and because of our Chinese partner reset, we are set to increase international enrollments as well.

- 7) In the next paragraph on page 20, it also states that *“Although FY 2020/2021 indicates a lower net loss, it also indicates three (3) consecutive years of net loss which is of high concern/risk to the future of the university. The institution is not financially stable based on the audited financial statement outcomes from McClintock and Associates.”*

In response to this comment, we would again suggest that there is additional information and context that supports a more positive assessment of Sofia's future trends. In the above statement, there is no mention of the \$5M Line of Credit nor the \$1M cash Sofia has in its' East West Bank, nor the improvement in revenue from 2020 to 2021 and improvement in net income from a loss of 3.2M in 2020 to a loss of 176K in 2021. We would also assert that the focus on net income alone is too narrow. For a broader view, it is helpful to look at trends in revenue, expenses, and net income.

Revenue

2019: \$6 M

2020: \$5.2 M

2021: \$6.4 M

Expenses:

2019: \$8.5M

2020: \$8.4M

2021: \$6.6M

The trend line is increasing revenue from the low of 2020 to 2021 and decreasing expenses from 2020 to 2021. In addition, the trend line for new student enrollment is increasing, exceeding target by 17% and continuing to exceed target with Summer 2022 quarter.

- 8) Again, on page 20, the Team reported that *"In 2020 and 2021, the institution was able to access multiple federal resources available to institutions in response to the COVID-19 pandemic. These included Payroll Protection Plan loan(s) and various HEERF grants. This artificially bolstered the financial position in the short term."*

Sofia University's use of the Payroll Protection Plan (PPP) loan and a small HEERF grant loan was an appropriate and financially prudent response to COVID 19 enrollment challenges and student need. The PPP is a loan until forgiven. To the extent that loans can "boost" financial positions, this is true, although loans are reported as a liability on the financial statements, so any "boost" is limited in scope. The PPP loan was not forgiven until July 2021, so any financial statement benefit will not show up until the 2021-2022 audited financials, a period outside of the review period.

In addition, Sofia received a very small portion of HEERF grants compared to other institutions, which is money it does not have to repay. Sofia is in the same position as many other schools receiving HEERF funds. Moreover, unlike many other institutions, Sofia only received approximately \$8,000 in institution funds. All the remainder was allocated to students. This is also unlike many other schools that received significant institutional and student funds.

- 9) Further on page 20, the WSCUC Review Team noted, *"The institution met the certain criteria for their PPP loan forgiveness and during July 2021, the entire PPP loan balance of \$667,700 was forgiven. This has been of assistance in increasing the revenue to be indicated no longer as a debt, however, as a revenue in their Profit and Loss. It is unclear if the federal government intends to continue providing such relief. Therefore, per its own cash flow projections, it still indicates they are functioning at a net loss."*

However, the issue of the PPP has no impact on the revenue statement for FY 2020/2021. In fact, Generally Accepted Accounting Principle (GAAP) is clear that this PPP money must be noted as a liability. Reporting a debt as revenue would be improper and contrary to GAAP. As such, the financials for FY 20-21 did not report PPP loan as revenue and is not of assistance in "increasing the revenue." In Sofia's 2021 audited financial it states, "The Company has elected to adopt Accounting Standards Codification (ASC) 470, Debt. Under ASC 470, the Company records a note payable until the debt is legally forgiven which then will be recorded as a gain on extinguishment of debt." It is listed as NOTE F, NOTE PAYABLE and states "The Company has met the certain criteria for loan forgiveness and anticipates the PPP loan will be fully forgiven." In addition, there has been no congressional legislation or notice of additional PPP loans. All funds are exhausted. Sofia was denied PPP round 2, so the intent is clear on such relief.

- 10) Later, on page 20, the Team noted that *"The institution's Financial Audits had two (2) identical Findings for both FY 2019/2020 and FY2020/2021. The first Finding states, Management was not properly earning the tuition deposits received of the two-year online Master of Business Administrative program. Management had established a process for recognizing the revenue related to these tuition deposits received, however, the timing of the revenue recognition was not accurate. Accordingly, there were errors made during the revenue recognition process for these transactions during the year."*

It is helpful to clarify that this was an interpretational difference of auditing practices. Following the auditor's method, additional revenue was recorded on the financial statements. This difference is evident in the following example: Whereas Sofia recorded full funds paid in the quarter the student enrolls, the auditor apportioned the funds. In Spring, 2021, Sofia recorded 100% tuition paid for the Spring quarter as a Spring revenue (As that is when the student enrolled). However, the auditor apportioned 1/8 to the Spring quarter (June month) and 7/8 to the Summer quarter (July/August) and subsequent quarters (Two years program payment is allocated over 8 quarters). Of most importance, when this difference was discovered, it was immediately addressed, and Sofia's accounting practices were aligned with the auditor's methods

- 11) Again, on page 20, the WSCUC Review Team stated, *"The concern with this Finding is it was a financial audit Finding for FY 2019/2020 and FY 2020/2021. In addition to being a repeat Finding, the institution has the same response to both years. There had not been a change indicated by the findings in the FY 2020/2021 audit."*

As previously indicated, Sofia's response following the 2020 audit comment with respect to its recording of the prepayment of the MBAO tuition at the time of payment rather than over the term of the course of studies was to make an adjusting journal entry which decreased tuition and increased tuition revenue by approximately \$670,000, which decreased the net loss accordingly. The auditor's language in the FY2020 audit comment was that Sofia followed the auditor's recommendation which then resulted in an increase to revenue of \$670,000.

With respect to the FY2021 audit comment, an adjusting journal entry was made which decreased prepaid tuition and increased tuition revenue by approximately \$138,000, which decreased the net loss accordingly. Again, the approach Sofia used lowered revenue while the auditor's increased revenue. In both cases, the Findings were improvements to Sofia's revenue.

- 12) On page 21, the WSCUC Review Team reports, *“The second (2) Finding states, Sofia was unable to generate a report out of their student information system that could accurately arrive at a student-by-student 90/10 calculation for purposes of financial statement disclosure. One area not addressed is its analysis and understanding of recent or potential legislation that may impact the for-profit education landscape (CFR 4.7). For example, recently introduced legislation seeks to modify 90/10 measurements to include military benefits, and other for-profit peers are analyzing past requirements such as Gainful Employment to ensure adequate preparation for potential future legislation (CFR 3.4).”*

The inability to generate an accurate report out of Sofia’s student information system has been a systems issue (Campus Café). Sofia’s reliance on Campus Café, a limited SIS, has created some reporting challenges. Few schools that use Campus Café derive large portions of their revenue from international students like Sofia. International students do not receive Title IV funds, so adjustments had to be made to the Campus Café system for us to collect such information. Prior to the corrections, Sofia had to maintain a separate report. Unlike many institutions reliant on Title IV funds, Sofia derives a significant portion of its revenues from non-Title IV sources. For 2020, the reported percentage of Sofia’s revenues from Title IV students was 37.97% and for 2021 it is 42.26%.

Regarding the military benefits, as Sofia enrolls VA students, we use the stricter 85/15 methodology (Title 38 United States Code (U.S.C.) 3680A(d) and 38 Code of Federal Regulations (CFR) 21.4201). However, Sofia is not reliant on military students (we have 8 military students out of over 800 total student population, many of which are international students who pay full tuition).

Sofia is aware of the discussions around gainful employment reporting and have discussed such matters with all departments. As a primarily graduate commuter school, many of Sofia’s domestic graduate students are already employed in their chosen fields at the time of their enrollment and are seeking an additional degree to further advance. Nonetheless, Sofia’s IR is developing a process, in conjunction with the Career Center and Registrar, to best track employment status.

- 13) Further on page 21, the Team states, *“The concern with this Finding is this was also a financial audit Finding for FY 2019/2020 and FY 2020/2021. In addition to being a repeat Finding, the institution has the same response to both years. There had not been a change indicated by the Findings in the FY 2020/2021 audit. (CFR 4.7)”*

Of note, there were two different CFOs reporting during these years. The new CFO was hired in 2020 and brought new skills, methods, and organization to Sofia’s previous practices. We understand the repeat Findings to be driven by two issues that include cash payments from international students and as previously mentioned, a systems issue with Sofia University’s SIS, Campus Café.

Regarding international cash payments, Sofia was able to generate additional recruitment, revenue, and enrollment (internationally) by initiating several programs (discounts, waivers of some fees). This resulted in some students paying different amounts. All international students paid in cash, to 2 bank accounts. This caused some confusion in the business office side as the payments did not have student identifiers. The new CFO resolved this issue by having all cash payments go to only one (1) account with proper documentation.

Sofia has since been un-recording cash payments to the relevant periods, thus artificially inflating its 90/10 percentage. For 2020, the reported percentage was 37.97% and for 2021 it is 42.26%. Both rates are well below the 90% ceiling. However, the rates are supportive of domestic enrollment growth, where many students are using Title IV funds to finance their education.

Sofia has also worked extensively with Campus Café on adjusting the system to record revenue so that we can pull 90/10 reporting from the system. To ensure we are accurate with respect to the 90/10 calculations, we have modified the information in Campus Café to ensure we can extract data directly from the system rather than maintaining a separate report.

- 14) On pages 21 and 22, the WSCUC Review Team concludes, *“The concern would be as stated in the institution's report, “Sofia University is a for profit university that derives 100% of its revenue from student tuition and fees.” Therefore, if the enrollment does not increase it will not be financially stable for the university's future unless the owner continues to donate millions of dollars (CFRs 3.4 and 3.8).”*

Sofia does indeed derive 100% of its enrollment from student tuition and fees but we are also exploring additional revenue sources including negotiating the rental of unused space at both campuses, renting out facilities for community and professional events, the option of creating student accommodation as part of our Costa Mesa Campus, and the establishment of an online bookstore with Sofia University branded products for sale.

As noted, domestic enrollment is increasing, and a revised international strategy will also see increased enrollments materialize over the next two years. For FY 21-22, although our operational forecast for new students was 164, we ended up with 192. For continuing domestic students, we have seen increases every quarter with this year's enrollment as follows:

SU21: 172 enrolled
FA21: 234 enrolled
WI22: 277 enrolled
SP22: 288 enrolled

Finally, for clarification purposes, the owner has not donated “millions of dollars.” Rather, Sofia University has been provided a \$5M line of credit to draw upon and it is still available for such needs.

- 15) On page 22, the Team writes *“In the Strategic Enrollment Management Plan it states that some of their internal weaknesses are 1). Limited financial resources affect the ability to invest in better systems, more staff, and ultimately negatively impacts recruitment and marketing efforts. 2). Students are increasingly looking for “professionally accredited programs.” The cost of seeking these professional educational qualifications can be substantial. These 2 internal weaknesses are an example of the financial futures stability of the university, especially with “professionally accredited programs”. In the future, both education and service to students are valuable to obtaining professional accreditation for specific programs (CFR 3.4).”*

Context is helpful when reviewing the Strategic Enrollment Management (SEM) plan. Of note, the systems reference in #1 is specifically referring to the SIS (Campus Café) which limits what can be done as discussed in the 90/10 discussion. Acquired during a previous administration, Campus

Cafe is integrated throughout the Sofia infrastructure. A more relevant replacement will require a significant investment of time and finances as well as comprehensive training across departments. Such a transition is in discussion and a team of high users are investigating competing products. However, a replacement remains in the future as we currently prioritize financial stability and an investment in teaching and student services.

Item #2 in the SEM refers predominantly to two programs that lead to licensing, the PsyD (Doctor of Psychology) and the MACP (Master's in Counseling Program). As noted earlier in the WSCUC report, over the course of a year, the viability of the PsyD degree without APA accreditation was researched and found to be negligible. In 2021, a decision was made to not seek professional accreditation and the program has been suspended. No new students are being enrolled and the remaining seven students (all in final stages) are being supported through graduation. In contrast, the 2nd program that leads to licensure is the MACP which we are now exploring for professional accreditation.

Sofia's growth programs, the Masters in Business Administration (MBA), Masters in Computer Science (MCS), and the MA in Transpersonal Psychology (MATP) are not accounted for in the Team's discussion of the university's financial futures stability. These three programs have demonstrated enrollment increases and employment does not require professional accreditation. Therefore, we feel Sofia is appropriately addressing this concern and aligning the need for professionally accredited programs with the Sofia mission, today's changing higher education landscape, student interest and enrollment, career opportunities, and our financial resources.

- 16) In Component 7: Sustainability: Financial Viability; Preparing for the Changing Higher Education Environment, page 22, the Team concludes that *"Overall, Sofia University has not strongly demonstrated evidence of strong compliance with Component 7 at a level sufficient for long term reaffirmation, recognizing that only the WSCUC Commission can make a final determination."*

However, as the WSCUC Review Team noted in this report, Sofia's expenses have declined by almost \$2M. In the same period, revenue has increased by about \$1M. This represents a swing of about \$3M. Financially, the \$1.4M letters of credit is in addition to the \$5M line of credit (no end date) available to the university and the University's \$1.1M in certificate of deposits.

Finally, quarter over quarter, enrollment is increasing and has been up every quarter for 20-21. New student enrollment exceeded our target for 2021. These trends suggest a more positive assessment of Sofia's financial health and its compliance with Component 7.

Furthermore, Sofia has taken a more conservative approach to revenue recognition resulting in lower reported revenue than what the auditor recommends. The expense reductions are primarily in administrative areas (including the significant reduction in the President's salary and the replacement of four Vice-Presidents with two outstanding professionals), limiting adverse impact to instruction and recruitment. Sofia University qualifies as a financially responsible institution per Department of Education guidelines under provision 34 C.F.R. Section 668.175(c) Financial Protection Alternative and provision 34 C.F.R. Section 668.172 Financial Ratios. As previously noted, Sofia qualified as a financially responsible institution under the Financial Protection Alternative provision as of April 2021 (renewed as of April 2022) when the university posted letters of credit in the sum of \$1,436,752. Subsequently, Sofia qualifies as a financially responsible institution under the Financial Ratios provision with the submission of the audited FY20-21 financials. The department has advised the university that due to Departmental backlog;

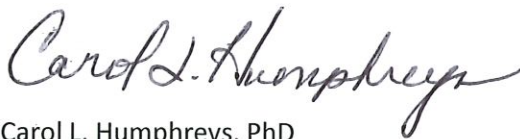
it will be several months before Sofia will receive acknowledgement of meeting the Financial Ratios threshold.

Amid COVID 19 domestic and international enrollment challenges and a changing higher education landscape with movement to distance or hybrid course delivery, Sofia has strengthened its financial status. In addition, enrollment to our MSCS, MBA, MACP and MATP programs is growing and trending positively. Although valuable and inciteful to review Sofia's past experiences to provide a context and starting point for the next phase of the university's growth and contribution to the educational landscape in California, the most value comes from the results of the reaffirmation of accreditation by WSCUC; it's disciplined review, feedback and most importantly, its support for Sofia's future direction.

We believe the visiting Team had the opportunity to see and feel the regeneration of energy and commitment to the future of Sofia by faculty, staff, and students. The feedback of the WSCUC Review Team comes at a very opportune time, and we appreciate all the work that the team did in reviewing Sofia and making suggestions on how to be more successful in the future.

On behalf of Sofia University, I appreciate your attention to this response to the Report of the WSCUC Team for Reaffirmation of Accreditation.

Sincerely yours,

A handwritten signature in cursive script, reading "Carol L. Humphreys".

Carol L. Humphreys, PhD
Vice President of Academics & Provost
Accreditation Liaison Officer