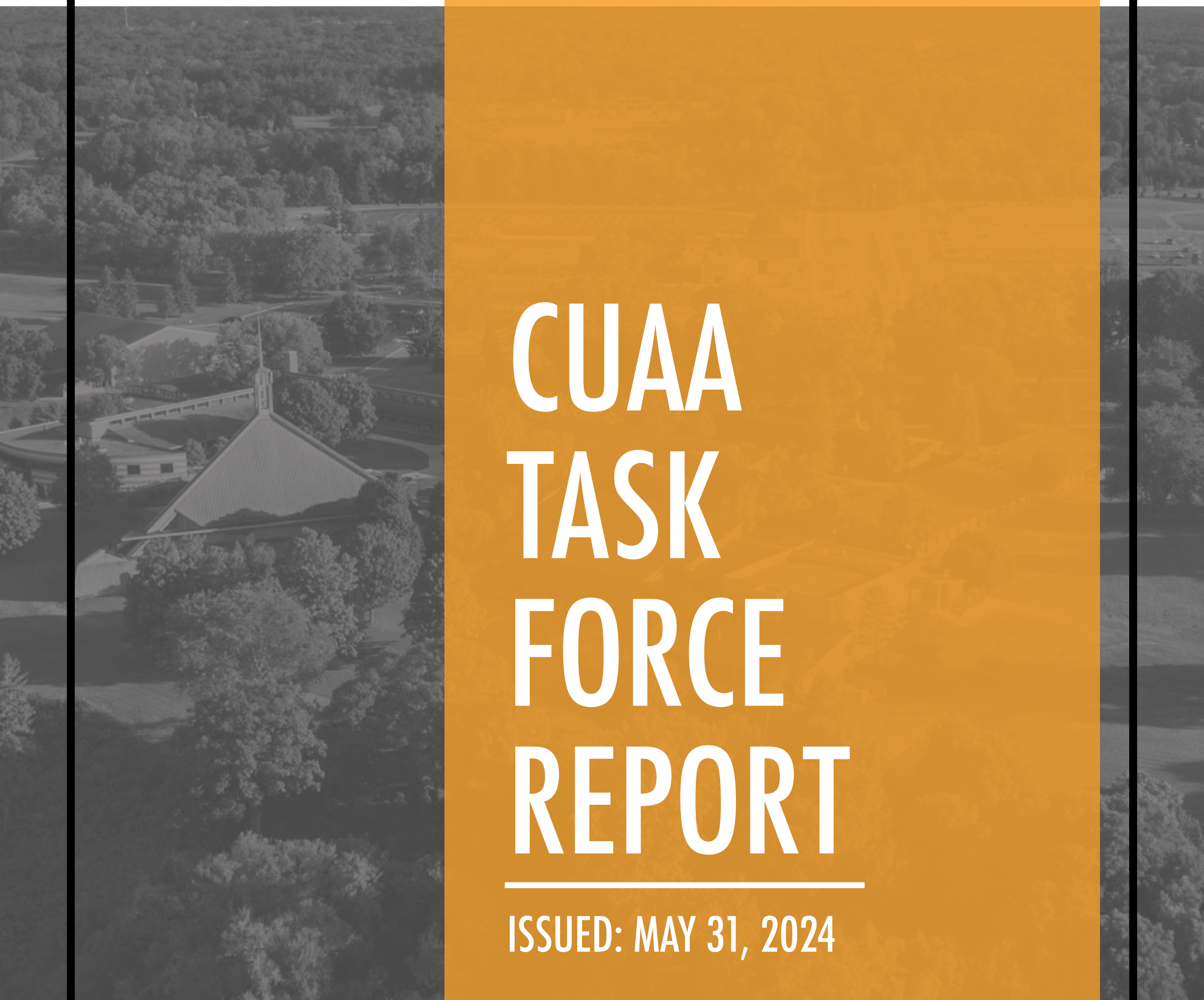

CUAA TASK FORCE REPORT

ISSUED: MAY 31, 2024

Concordia University
Wisconsin & Ann Arbor
is a Lutheran higher
education community
committed to helping
students develop in
mind, body, and spirit
for service to Christ
in the Church and
the world.

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CUAA TASK FORCE REPORT

TO:
The Board of Regents
of Concordia University Wisconsin & Ann Arbor

FROM:
The Task Force constituted pursuant to
the Board's February 29, 2024 Resolution

RE:
Process to establish Concordia University Ann Arbor as
a separately-accredited institution of higher education

DATE:
May 31, 2024

EXECUTIVE SUMMARY

In order to establish Concordia University Ann Arbor (hereafter "CUAA") as an independent higher educational institution, the following steps would be required:

- **Accreditation:** CUAA would first establish a governing board, adopt basic institutional policies, and demonstrate two years of stable finances. Upon satisfying that requirement, it would: engage in a three-to five-year process to build out administration and software infrastructure; satisfy HLC accreditation and "Change of Control" requirements; and navigate synod bylaws, which do not clearly address this situation.
- **Financial:** Raise a minimum of an additional $31.8 million to balance the CUAA budget for the fiscal years '25–'27, during the process of separation (this figure assumes a three-year, not a five-year process, and does not include any cost to meet the *a priori* requirement of two years of stable finances); develop a financial plan to increase revenue, decrease costs, and significantly increase gifts to cover the shortfall between income and expenses and fund ongoing operations.
- **Legal:** Secure approval of the LCMS Board of Directors; negotiate a land contract sale to the new corporate entity for CUAA; and clarify the lease to the Michigan District for its office.
- **Lutheran Identity & Mission Outcomes:** Strengthen understanding of what is a distinct Lutheran identity to enhance what is now more in the nature of a general Christian identity.

The major challenges to such an undertaking would be:

- **Accreditation:** Meeting prerequisites to apply for accreditation, including having a governing board and policies, as well as the two-year financial stability requirement; developing administration and software infrastructure; and navigating synod bylaws.
- **Financial:** Addressing campus physical plant needs in addition to other expenses; covering cost of athletic programs; identifying realistic reliable sources of increased revenue and reducing costs.
- **Legal:** Dealing with the Michigan District lease and the main campus reversionary clause; seeking approval by synod's Board of Directors.
- **Lutheran Identity & Mission Outcomes:** Maintaining focus on Lutheran identity when establishing new administration and board of regents; working with a student population which contains a high percentage of students who are not from LCMS congregations.

The major risks or unknown factors of such an undertaking would be:

- **Accreditation:** Whether the HLC would approve separate accreditation (as well as other required accreditors and state regulators); whether the separation process can fit within synod's bylaws.
- **Financial:** The impact on enrollment of tuition increases; the ability to generate substantially greater gifts to the university than at present.
- **Legal:** The ability to renegotiate the lease with the Michigan District and the reversionary clause in the deed to the main campus; securing approval of the LCMS's Board of Directors.

- **Lutheran Identity & Mission Outcomes:** None identified

INTRODUCTION

History of CUAA's integration with Concordia University Wisconsin

Ten years ago, Concordia University Ann Arbor found itself in an extremely difficult position: Its enrollment and financial challenges would likely lead to closure. A fortuitous airport meeting between then President Patrick Ferry and then President Thomas Ahlsmeyer prompted discussions about a merger between CUW and CUAA. Encouraged by the leaders of The Lutheran Church—Missouri Synod who sought the best for their universities, fruitful discussions between CUW and CUAA witnessed both collaboration and demonstrable generosity. These discussions resulted in a merger between CUW and CUAA. At that point, CUW was flourishing with its patent formula for success, which included robust recruitment/enrollments in stable programs, new degrees, and financially healthy operations supported by growing endowments and investments. To help CUAA, CUW's leadership planned to replicate the relative success of its "center model" for post-traditional learners in Michigan. The university's leadership believed that within four years, the CUAA campus could generate enough revenue to be profitable. The Board of Regents also planned to review the partnership each year if the Ann Arbor campus lost 8% or more each fiscal year.

Divergence of actual performance from initial assumptions.

Unfortunately, two factors complicated the financial dimension of this partnership. Across the United States, the "center model" began to be replaced with online learning, and CUW's own enrollment began to slowly decline as Wisconsin's demographics began to change. The result was that CUAA could not generate enough revenue to be self-sustaining, and CUW did not have excess revenue to share with CUAA.

The university pivoted to enact an alternative plan: CUAA would expand its athletic programs and recruit more athletes to the campus. While that strategy grew the traditional undergraduate enrollment, it also significantly raised operational costs for the campus—to the point that the campus now spends every dollar it generates in revenue.

Ongoing Structural Deficits in Finances

Over the past ten years, the financial position of Concordia University Wisconsin and Ann Arbor (hereafter "CUWAA"), from the perspective of its audits, has remained relatively strong. At the same time, decline in post-traditional enrollment across the university and traditional undergraduate enrollment in Wisconsin have led to rising challenges with the university's cash position. In fact, this past year, the university's structural deficit rose to $9 million. During the past decade, the university has contributed $90 million to operations and capital improvements for the Ann Arbor campus. Each year for the past ten years, the Ann Arbor campus has experienced a $4-5 million operational deficit. The only exception was one year, during which the university sold some property on the edge of the Ann Arbor campus.

The CFO Colleague Report expresses doubt that a sustainable financial model can be developed for CUAA

In a report dated February 1, 2024, CFO Colleague, a financial consultancy for higher education institutions, analyzed recent financial performance for the university and concluded:

> *The structural deficit for the combined entity of CUW and CUAA requires immediate and substantial attention. ... It is difficult to see a way forward for CUAA, given its*

enormous deferred maintenance needs, inadequate NTR per student and the use of net tuition to fund athletic costs. … The time is now to craft a multi-year plan that addresses these clear challenges.

Establishment of this Task Force

In response to the CFO Colleague Report, the Board of Regents, on February 29, 2024, adopted a resolution for "a special subcommittee to explore the possibility of the Ann Arbor campus applying for self-governance within the Concordia University System." This report is the result of the mandated special committee's findings.

TASK FORCE COMPOSITION & PROCESS

Membership

President Ankerberg and CUWAA Board of Regents Chair Rev. John Berg recruited and organized a Task Force composed of university regents, senior university administrative staff, and select outside members who brought particular expertise in higher education to the group. Subcommittees were organized, with this membership:

Accreditation

Rev. Dr. Jamison Hardy, Chair
Dr. Chris Cody
Dr. Elizabeth Polzin
Nathan Wingfield

Financial

Dr. David Andersen, Chair
Jon Bruss
Dan Kelly
Mark Stern
Rev. Dr. Harald Tomesch

Legal

Dave Lambert, Chair
Rev. Jonah Burakowski
Dr. Steve Taylor
Rev. Dr. John Wohlrabe

Lutheran Identity & Mission Outcomes

Fr. Mark Braden, Chair
Rev. David Davis
Rev. David Fleming
Rev. Dr. Aaron Moldenhauer
Rev. Dr. Ryan Peterson
Rev. Dr. Richard Stuckwisch

In addition to these subcommittees, the undersigned acted as chair of the committee as a whole, and President Ankerberg and Rev. Berg were *ex officio* members.

The subcommittee process

The subcommittees worked within their assigned areas, with the ability to request any information deemed relevant to aid their deliberations. Subcommittee chairs met with the Task Force chair and *ex officio* members to assess progress and facilitate the flow of information. In addition, the Task Force held plenary meetings of all members to prevent siloing of ideas or questions, and to ensure the fullest possible review of all issues. Finally, each member of the Task Force has had the opportunity to review and comment on all parts of this report. It should be noted that this report reflects the judgment of the majority of the members of the Task Force. Individual members may differ with some or all of its conclusions.

Questions and Answers relating to the Task Force and its process

Some may question the necessity of acting so quickly to address the financial challenges that CUWAA is facing. Theoretically, the university could—for a short time—continue to operate with structural deficits. That practice assumes that: 1/ The university will still benefit from significant market returns on its endowment; 2/ The university Advancement Team will continue to experience record success with donors; 3/ The university will be able to generate the same or more net revenue. At the same time, this assumption does not allow the university to address its capital needs and leaves the university vulnerable to unexpected expenses or contractions in enrollment.

The university also needs to act quickly because the analysis of the past few months demonstrates that the university cannot—and with current facilities will not—generate enough auxiliary revenue (i.e., revenue from sources other than tuition) to sustain the Ann Arbor campus' operations. Because the university's leadership has this knowledge, the university should steward its resources wisely and pursue plans that allow that campus to operate within the limits of its resources. Continuing to lose millions of dollars in operations puts both campuses at significant risk.

The university also should act quickly because the decision to act ethically and announce the financial challenges it is facing has also negatively affected enrollment at the Ann Arbor campus. This reality intensifies the need for the university to reconstruct the financial model for the Ann Arbor campus.

Others have asked if other LCMS entities, including a member of the Concordia University System (CUS), would consider partnering with CUWAA. Currently, no entities have offered resources that would allow us to meet the significant capital needs at the Ann Arbor campus or to subsidize cash flow shortfalls from operations on an ongoing basis. The university has not received any formal offers of resources from other universities within the Concordia University System, and CUWAA can replicate any services that other universities might provide.

TASK FORCE CONCLUSIONS

Each subcommittee prepared a separate report. Their reports follow this section. Some subcommittee reports contain appendices, which are included in the copy of this report given to the regents, but are redacted from the public version of this report because they contain sensitive and confidential information. A summary of each subcommittee's conclusions appears below. The reader is referred to the actual subcommittee reports for details.

ACCREDITATION

Conclusions

- To become separately accredited CUAA must first establish its own governing board and policies, and demonstrate two years of financial stability, and thereafter would need to remain connected to CUW during the three-to five-year process of accreditation. The HLC Accelerated Process for Initial Accreditation would not be an available path to accreditation.
- CUAA would also need separate, audited financial statements, which document two years of financial stability.
- In addition, there is a "Change of Control" process that would have to be followed and satisfied.
- In addition to HLC approval, approval from the synod's Commission on Constitutional Matters, the CUS Board of Directors, and the synod's Board of Directors would be required.
- CUAA would need an administrative structure of its own, including a separate Board of Regents, President, Administrators, CFO, CIO, and Provost (VP of Academics) prior to being accredited.
- CUAA would need to have independent operations for software of various sorts, the cost of which is estimated to be in the millions of dollars per year.

Major challenges

- Establishing separate governance and policies.
- Satisfying HLC of financial stability, particularly the requirement to demonstrate two years of stability of operations.
- Navigating synod bylaws and approvals.
- Developing independent software and student services systems.
- Developing administrative structure.

Risks/Unknowns

- Whether the HLC would be satisfied with and approve of separate accreditation.
- Whether the separation process can fit within synod's existing bylaws.

FINANCIAL

Conclusions

- For the past ten years, CUAA has operated at a deficit of $4.8 million per year, being a $3.5 million operating loss plus $1.3 million in depreciation, even after receiving $4.6 million for a one-time sale of property.
- CUW has funded $35.7 million in the past ten years for deficits incurred at CUAA.
- Increased enrollment at CUAA has not reduced the deficits.

- For CUAA to replace the administrative support currently provided by CUW would increase its costs by $5.4 million per year.
- CUAA requires $700,000 per year for three years for physical plant renewal.
- Eliminating the $3.5 million cash deficit, paying the increased costs to be independent, and funding the cost for physical plant renewal adds up to an additional $9.6 million per year cost to operate CUAA independently. [Note that this does not include debt service for the land contract recommended by the Legal Subcommittee, infra.]
- Including inflation, for FY 25 to FY 27 CUAA would need to increase revenue by $31.8 million to balance its budget.
- Unrestricted gifts to CUAA have averaged $375,000 per year for the last five years.
- Most endowment funds for CUAA are restricted to be used for scholarships, which paid CUAA $643,000 in FY 2023.
- For FY 2023, CUAA's total revenues were $22.5 million. Total expenses were $27.8 million, including $1.8 million in depreciation.
- Financial support from the Michigan, Ohio, Indiana, and English Districts, the LCMS Board of Directors and the CUS Board of Directors were contacted to assess interest and ability to provide financial support. Only the Michigan District responded affirmatively.
- The $10 million escrow toward the future operation of CUAA referred to in the resolution adopted on February 29, 2024, is unlikely to be created.
- Regardless of other means to increase revenue, to make CUAA operate independently would require a significant increase in gifts to fund operations.

Major challenges

- Addressing physical plant needs for the campus.
- Cost of athletic programs.
- Identifying sources of revenue increase and cost reduction.

Risks/Unknowns

- Impact of tuition increases on enrollment.
- Ability to increase gifts through development (needed even if all other means of increasing revenue discussed in the report are successfully implemented).

LEGAL

Conclusions

- Two years should be allowed to secure approval from the LCMS's Board of Directors.
- A Land Contract sale from Concordia University, Inc. to the independent CUAA is recommended, at a cost of $1.6 million per year for the entire campus or $1.16 million per year for the main campus.

Major challenges

- Reversionary agreement in title for main campus.
- Synod Board of Directors approval of property changes.
- Lease of Michigan District office.

Risks/Unknowns

- Renegotiating and modifying reversionary agreement to fit new institutional structure.
- Ability of independent CUAA to service land contract debt.

LUTHERAN IDENTITY & MISSION OUTCOME STANDARDS

Conclusions

- There are many positive indications of Lutheran mission and identity on the Ann Arbor campus.
- Time and resources are needed to focus the Christian identity of the campus to a distinctly Lutheran identity.
- The campus should add a Chief Mission Officer and another campus pastor.
- The theology faculty should also be increased.
- There is a paucity of Lutheran symbols…on campus.
- Chapel services should be focused to project a distinctly Lutheran identity.

Major challenges

- Understanding of Lutheran mission and identity needs to be enhanced significantly.
- A high percentage of students who are not members of LCMS congregations.
- Keeping Lutheran identity and mission at the forefront while creating a new Board of Regents and campus administration.

Risks/Unknowns

- None specifically identified.

CONCLUSION

The Board of Regents must assess the information presented to decide whether separating CUAA to operate as an independent entity is feasible. As identified by CFO Colleague, the principal challenge for CUAA is funding. To begin the process to be accredited separately, CUAA would need to set up its own governing board, adopt basic institutional policies, and demonstrate at least two years of stable operations. Thereafter the actual process of accreditation would take another three-to-five years. Separate status would increase operational costs by $6.1 million per year. Adding the historical $3.5 million structural cash flow deficit (and ignoring the $1.3 million in annual depreciation) results in a need for $9.6 million per year in added revenue before the land contract recommended by the Legal Subcommittee is considered. That land contract would add an additional $1.6 million in cost, bringing the total shortfall to be covered to $11.2 million per year.

The 2023 revenue for CUAA was $22.5 million, so the increased need amounts to approximately 50% of the present budget. The Financial Subcommittee polled various possible sources of support, and only the Michigan District has indicated a willingness to provide such, though in a sum far less than the need. Furthermore, no interest has been shown by any stakeholder in providing the $10 million escrow suggested in the resolution of February 29, 2024.

Finally, none of the financial analysis in this report considers the functional obsolescence of many of the main campus buildings at CUAA. The regents will recall that when they toured the campus in November, 2024, it was obvious that present dormitories, one major classroom building, the chapel, and the field house were all falling short of properly serving the needs of the university in various ways, and would require either replacement or major upgrades. Those costs are in addition to the analysis provided in this report.

Financial and accreditation concerns aside, tasks identified by the Legal and Lutheran Identity and Mission Outcome Standards (LIMOS) subcommittees seem generally manageable, with some minor legal uncertainty. Separate accreditation is, however, not a guaranteed outcome of the accreditation process, given uncertainties as to the judgment of the accrediting body and the vicissitudes of synod bylaws.

David A. Piehler
Regent and Task Force Chair

ACCREDITATION SUBCOMMITTEE REPORT

The Accreditation Subcommittee is charged with understanding and conveying the accreditation options to aid the board in determining the viability of an autonomous CUAA. Specifically, the subcommittee reviewed accreditation requirements of The Higher Learning Commission and those of accreditors of specific programs at CUAA.

The Higher Learning Commission, the accreditor for the institution, requires institutions to demonstrate how they meet the Criteria for Accreditation. HLC outlines requirements to pursue candidacy for accreditation, Assumed Practices, and Federal Regulations. HLC does not include program-specific accreditor requirements, state licensure requirements, nor Department of Education (DOE) regulations for institutional accreditation (though some HLC accreditation requirements enforce DOE regulations).

Avenues to Accreditation

There are two avenues for institutions to seek accreditation:

- Accelerated Process for Initial Accreditation: The Accelerated Process for Initial Accreditation features a reduced timeline to achieving accreditation while still assuring rigor and protection for student success. This process is only available to institutions that meet certain qualifications prior to and throughout the process. This includes being currently accredited by a historically regional accreditor or a state entity recognized by the DOE as an institutional accreditor and being in good standing with that accreditor. Institutions that meet the qualifications for the Accelerated Process for Initial Accreditation may pursue accreditation through this process.

  - Per the HLC Liaison (staff position at HLC that is assigned to work directly with CUWAA): "A branch campus of an HLC institution—whether separately incorporated and/or separately accredited—would not meet the requirements for the Accelerated Process for Initial Accreditation."

- Eligibility Process & Candidacy: Most new member institutions achieve accreditation through the Eligibility Process & Candidacy. In this process, the institution must show it meets the eligibility criteria and complies with the HLC's eligibility requirements. During Candidacy, the institution works to demonstrate compliance with HLC's Criteria for Accreditation and other HLC requirements. The Candidacy period is typically four years (HLC cites that the total process, including Eligibility Process, can range from three-to-five years).
  - In this process, for CUAA to maintain institutional accreditation while undergoing the Eligibility Process & Candidacy, CUAA would have to remain under CUW's accreditation for the entire length of the Eligibility Process & Candidacy period. Separating from CUW prior to receiving accreditation through the HLC would leave CUAA without institutional accreditation. Without institutional accreditation, CUAA could offer degrees but could not be considered an accredited institution, which hinders transfer to other institutions, degree validity, and students' eligibility to receive Federal Student Aid.
  - Given that CUAA is considered a branch campus of CUW, the timeline to begin the Eligibility Process & Candidacy is likely longer than the cited three-to five-year process. This is because CUAA will need time to establish independence in meeting the HLC requirements and criteria for accreditation.

These are the only two avenues for accreditation through HLC. HLC policy indicates that a component of an accredited institution can seek separate accreditation. A component of an institution, "...shall include all branch campuses, additional locations, other instructional sites and any divisions offering distance education or correspondence education, regardless of where operating." An accredited institution could include a separately incorporated branch campus as one of its components. Specifically, correspondence from CUWAA's HLC Liaison states the following:

> *Assuming the institution intends for the separately incorporated branch campus to remain within the institution's accreditation, it would need to meet the "Characteristics of a Component That May Be Included in the Institution's Accredited or Candidate Status" as detailed in HLC policy.*
>
> *There are a variety of ways that a separately incorporated component of an institution could meet these requirements. It would be up to the entities to define and establish these arrangements. This could include, for example, through corporate structures such as subsidiaries and/or superordinate entities, or through documented legal arrangements such as a management agreement.*

If an institutional component (such as a branch campus) that is not currently separately incorporated were to become separately incorporated, that would involve a Change of Control, Structure or Ownership under HLC 2 policies for the institution.

Note that a separately incorporated component of an institution would still need to go through HLC's Eligibility Process [& Candidacy] in order to become separately accredited. *Moreover, a separately accredited component such as a branch campus (whether or not it is separately incorporated) would almost certainly need to go through a Change of Control process at the time it wished to no longer be a branch campus of another institution.*

This is because the governance structures in place for the branch campus to have been an accreditable component of the institution in the first place would then necessarily need to be altered in order for the branch campus to become fully independent. This change in governance structure would implicate HLC's Change of Control policies.

Given that a component of an accredited institution can seek accreditation, the subcommittee reviewed what is required for the component to seek accreditation. HLC outlines Characteristics of a Separately Accreditable Component in its policies. The policy states that "an existing component of an accredited institution may seek separate accreditation as an independent institution if it has the following characteristics:

- It has been authorized, under board policy, to have substantial financial and administrative independence from the accredited institution including in matters related to its personnel;
- It has a full-time chief administrative officer;
- It is empowered, under board policy, to initiate and sustain its own academic programs;
- It has independent degree-granting authority in the state or jurisdiction in which it is located; and
- Public information about the institution, the component, and any corporate parent or structure is consistent with the characterization of the entity as a separately accreditable entity."

Significant Items to Address to Pursue Eligibility Process & Candidacy

There are several steps that an institution must take throughout the Eligibility Process & Candidacy to establish accreditation that must initially be documented in the forms below, including:

- Application for HLC Membership
- Substantial Presence Form
- Institutional Date Form
- Compliance with Eligibility Requirements Form
- Compliance with Assumed Practices Form
- Federal Compliance Overview & Filing Form

Highlighted below are significant items that must be addressed in order for CUAA to move forward with the Eligibility Process & Candidacy. As with any institution under review, there is no guarantee that all items could be addressed to the satisfaction of HLC reviewers.

- LCMS Bylaws
    - Synod bylaws do not explicitly provide for a process of separating CUWAA into two institutions, both of which would operate under the CUS. The term "separate" in bylaw 3.6.6.1 [p] refers to separation from CUS and Synod, not division of an institution.
    - Per the Secretary of Synod, division of the institution would likely require approval by the Commission on Constitutional Matters (CCM), the CUS Board of Directors, and the Synod Board of Directors on a number of matters related to bylaw sections 3.6 and 3.10 to ensure conformity with synod bylaws.
    - Per the Eligibility Requirements with the HLC, an institution applying for accreditation must have "...a governing board that possesses and exercises the necessary legal power to establish and review the basic policies that govern the institution."
        - CUAA must have its own Board of Regents in place to pursue individual accreditation.
        - The rules of HLC accreditation may allow two separate boards to operate in this manner, based on the Characteristics of a Separately Accreditable Component. However, Synod bylaws do not currently address this issue. It appears a CCM ruling may be required to determine if bylaw 3.10.6.3 would be violated by the establishment of a separate, independent Board of Regents for CUAA before the institution was independently accredited and separated from CUW.
- Necessary Personnel
    - For CUAA to become autonomous, additional personnel need to be added. HLC requires evidence of Substantial Presence in the application process toward Candidacy, yet does not provide an exhaustive list of required institutional positions. It can be determined from the questions listed on the Substantial Presence Form that the following positions are required for an institution to pursue accreditation:
        - President
        - Senior Administrators/Cabinet (no specific positions appear to be required; however, an institution must prove it has the positions needed to fulfill its mission)
        - Chief Financial Officer
        - Chief Information Officer
        - VP of Academics/Provost
- Evaluation of Processes with Institutional Operational Needs for Accreditation
    - An autonomous CUAA must demonstrate the ability to serve students effectively as an institution of higher education. An autonomous CUAA must also ensure compliance with the criteria for accreditation. To that end, CUAA would be required to obtain and finance its own systems that CUWAA currently has in place to operate the university and serve students (e.g., a student information system, such as Banner, and a learning management system, such as Blackboard or Canvas).
    - Other systems currently offered through CUW that may be desirable for operations and student service needs include accessibility services software (AIM), student success/advising software (EAB Navigate), portal software

(Pathify), student conduct management software (Maxient), residential housing management software (StarRez), human resource management software (Applicant Pro), registrar office/student records management software (DegreeWorks, Courseleaf, CourseEval), room scheduling software (EMS).

  - While finances are not the focus of this subcommittee, HLC requires an amount of infrastructure to be in place while seeking accreditation during the Eligibility Process & Candidacy. The cost of this type of infrastructure building is excessive, depending on institutional needs and student enrollment. Licenses on software cannot be shared through separate institutions, though many consortiums offer discounts. For example, the initial start-up cost for Canvas at another Wisconsin Association of Independent Colleges and Universities (WAICU) institution with an undergraduate enrollment of 900 was $4 million.

- Financial Data
  - The HLC Eligibility Requirements include several pieces of evidence. CUAA would need to provide the following, in addition to other materials, to begin the accreditation-seeking process. Documentation provided would also need to meet the thresholds set by HLC:
    + Three years of comparative budgets. Notes are to include the basic assumptions underlying the budgets;
    + Cash-flow analyses for the past two years;
    + The institution's primary reserve ratio calculated as (expendable net assets/total expenses);
    + Two most recent financial audits for the institution. CUAA would need to provide financial audits reflective of the CUAA campus only. If the past two institutional audits are used (which includes CUW & CUAA information), significant work would need to take place to separate CUAA specific finances.

There are a number of other HLC requirements during the Eligibility Process & Candidacy that CUAA will have to meet in order to become autonomous. These are the major areas this subcommittee was able to identify during this review. Other areas may also be of concern to other reviewers, including HLC accreditation assessors. Other areas may be very simple for CUAA to accomplish toward this end.

Programs at CUAA that would be Impacted by Accreditation Changes

CUAA has a number of programs that are individually accredited by entities other than HLC. Some are also approved by the State of Michigan on the program level, and/or graduates would be certified or licensed if they work in Michigan. These include all the Education majors, and healthcare programs such as Nursing, Physical Therapy, Occupational Therapy, Physician Assistant, Athletic Training, Social Work, Radiologic Technology, and Diagnostic Medical Sonography. Program reduction or autonomy for CUAA would have implications for these accreditors.

FINANCE SUBCOMMITTEE REPORT

General Direction and Included Scope

The Finance Subcommittee of the CUAA Task Force was directed to assess the ability of CUAA, as a standalone university, to attain financial sustainability.

Excluded Scope

The subcommittee's work presupposes that an independent CUAA would continue to operate a residential undergraduate program primarily on the current campus. Thus, although recognizing the significant costs associated with maintaining the current campus, the subcommittee did not consider models that would involve transitioning CUAA to a primarily online or virtual university, nor selling the main campus property and consolidating operations on the current North Campus.

As stipulated in the February 29 Board of Regents Resolution appointing the Task Force, other CUS schools were not approached to serve as financial partners for the Ann Arbor campus.

Summary

We confirmed that over the last decade, CUAA lost approximately $4.8 million every year on average. Of this amount, $3.5 million per year was a cash operating loss. The remainder was depreciation expense (deferred maintenance). Even though unfunded depreciation does not directly reduce operating cash, it has resulted in a backlog of physical plant renewal needs on the CUAA campus.

These losses occurred consistently, despite undergraduate enrollment growth of 36% during the same time period. Much of CUAA's growth was driven by a large increase in the number of student-athletes. In FY 2023, CUAA spent, on average, $8,060 per student-athlete to operate intercollegiate athletic programs. For the reasons set forth in the CFO Colleague Report, the high cost of operating athletic programs—equal to 31% of total net tuition revenue in FY23—meant that higher enrollment did not reduce the operating deficit.

CUAA incurred significant losses during the last several years that it operated as an independent institution. In the decade since the merger, CUW reduced CUAA's operating costs by assuming into the Wisconsin campus budget (effectively an operating subsidy to CUAA) most of the cost for many CUAA overhead expenses.

The items currently managed by CUW (listed on page 19) include senior staff administration, development, recruitment and marketing, professional services, software, and accreditation, and would (based on FY 23 figures) add approximately $5.4 million to CUAA's annual operating costs if performed by CUAA independently. There are also urgent physical plant renewal needs averaging about $700,000 annually over the next three years.

Thus, in addition to covering the existing cash deficit of $3.5 million per year, an independent CUAA would need to fund additional annual operating costs of $5.4 million and additional annual physical plant expenses of $700,000 (all based on FY 23 figures). This would require additional annual revenue of $9.6 million to "break even" based on FY 23 figures. If revenues and expenses each escalated 5% per year for inflation, and assuming no major changes in enrollment or operations, then in nominal dollars a total of at least $31.8 million in new revenue would be needed to break even over a three-year period (FY 25 through FY27).

CURRENT OPERATIONAL REALITY

Structural Deficit: Significant Annual Losses for a Decade

Over the last ten completed fiscal years, and after including $4.6 million in gain from a one-time property sale, the CUAA campus has lost $35.7 million from operations on a "cash" basis, without including depreciation expense. This loss was funded by CUW from its resources.

These ongoing and consistent losses occurred despite the fact that enrollment has grown continuously, both undergraduate (653 to 889 students) and overall (999 to 1,256 students). The CFO Colleague Report explains the reason for this: Essentially, all of the revenue received from additional enrollment was spent on additional expenses, so there was no net gain.

This average loss of approximately $3.5 million per year would increase to $4.8 million per year if depreciation were included. This amount represents the approximate $5 million per year structural deficit referenced by President Ankerberg during community discussions.

Depreciation expense needs to be considered as a regular part of operations, versus engaging in "deferred maintenance." Not funding regular upkeep and renewal of the physical plant results in higher costs later as items break down and need immediate replacement. Finance staff have advised that the current backlog of capital repair and replacement projects anticipated within the next three years is approximately $2.1 million, based on current-year costs, in addition to scheduled annual maintenance and repair spending.

The following discussion, with all numbers rounded to the nearest 0.1 million, reviews the operating results for Fiscal Year 2023, which is the most recently completed fiscal year (from July 1, 2022 to June 30, 2023). However, the same general trend has held for the last decade, with one significant exception: During Fiscal Year 2022, CUAA sold a major capital asset, part of the campus real estate, for $4.6 million, the proceeds of which were used to reduce the annual operating deficit for that year only.

Sources of Revenue

The two main sources of revenue for CUAA are tuition and revenue from auxiliary enterprises (mainly student housing and food service). These account for over 95% of annual revenues. Unrestricted gift revenue for FY 2023 was approximately $350,000, and has averaged approximately $375,000 per year over the last five years.

For FY 2023, CUAA recorded gross tuition revenue of $31.2 million, but after allowing for $14.4 million in scholarships (= tuition discounts), net tuition revenue actually received was $16.8 million. The net tuition received is included in total revenues.

Most CUAA endowment funds are restricted so that the annual endowment income must be applied for scholarship use. CUAA's accounting practice is to record these endowment distributions as an offset to scholarship expenses. In FY 2023, gross scholarship expenses were about $15 million; this was reduced by endowment distributions for scholarships in the amount of approximately $643,000, so the net reported scholarship expense was approximately $14.4 million (= $15 million less the $643,000 endowment payout).

Gross revenue from auxiliary enterprises was $4.7 million.

Total revenues were approximately $22.5 million.

Expenses

Major CUAA expense categories (rounded) included:

Staff salaries and benefits	$8.2 million
Faculty salaries and benefits	$7.2 million
General services (program, travel, supplies)	$2 million
Depreciation	$1.8 million
Cost of goods sold (including food service)	$1.5 million
Contracted services	$1.2 million
Student worker and graduate assistants	$1.1 million
Campus capital expenditures	$1.1 million
Utilities	$1 million
Materials and supplies	$1 million
Insurance	$500,000
Debt service on Michigan Church Extension Fund loan	$270,000

Total expenses were approximately $27.8 million, including approximately $1.8 million in depreciation, resulting in the $5.3 million deficit for FY 2023. Expenses do not include scholarship expense, which is netted out of the total revenues.

Significantly, the above expenses include approximately $5.2 million incurred to operate athletic programs, primarily staff salaries and benefits, and travel costs. The largest programs, by spend, are listed in the table below, with total annual cost of operation, number of participants, spending per participant, and spending per participant as a percentage of average tuition revenue per student.

Program	# Participants	Annual Cost $	$ Per Participant	As % of Average Tuition Revenue Per Student
All Sports	645	5,200,000	8,060	68.2%
Football	138	800,000	5,797	49.1%
Men's Hockey	39	365,000	9,359	79.2%
Baseball	52	360,000	6,923	58.6%

Figures derived from FY 23 CUAA Key Metrics – Finances All Funds – FY14 through FY23, – Athletic Expenses, and – Athletic Counts; CUAA athletic records; average tuition revenue of $11,814 per student from "Financial Health Check, An independent review of the operational costs of CUW and CUAA", CFO Colleague, February 1, 2024.

CONTINUATION PLAN

As directed, the subcommittee has estimated the financial requirements for CUAA to continue to operate using its current model and campus with no major changes, except that it would have to create and fund the infrastructure to operate as a freestanding institution.

Additional Infrastructure and Support for Freestanding Institution

The additional material items required to operate a freestanding institution, including the estimated amount (if any) currently allocated to CUAA, the estimated cost to provide these items independently, and the net impact on CUAA's annual operating budget, include (based on FY 23):

Item	Current Budget Allocation	Net Additional Annual Cost
Staff administration positions	$210,000	$1,000,000
Development	100,000	200,000
Recruitment & Marketing	450,000	420,000
Professional Services	70,000	50,000
Information Technology Infrastructure	170,000	3,700,000
Accreditation Costs	0	50,000
= Annual Incremental Cost		5,420,000
+ Physical Plant Needs	1,070,000	700,000
Total Additional Costs vs FY 23 Budget		$6,120,000

Sources: CUAA financial reports and administrative staff estimates based on available data.

A table listing these items in more detail appears on page 25. The list is not necessarily exhaustive.

1. **Staff administration positions.** Higher Learning Commission (HLC) accreditation requires institutions to have to have a minimum of a president, provost, and chief financial officer. However, many other functions currently performed by CUW will need to be added, including a president, CFO, provost, VP for enrollment, director of financial aid, Title IX coordinator/dean of students, accountant, and registrar.

CURRENT ALLOCATION: $210,000
NET ANNUAL ADDITIONAL COST: $1,000,000

2. **Development.** CUAA will require at least two additional advancement staff.

CURRENT ALLOCATION: $100,000
NET ANNUAL ADDITIONAL COST: $200,000

3. **Recruitment and Marketing.** CUAA will require its own recruitment and marketing offices.

CURRENT ALLOCATION: $450,000
NET ANNUAL ADDITIONAL COST: $420,000

4. **Professional Services.** CUAA will require a separate annual audit to create normalized financial statements, as well as filing of IRS Form 990 and a single audit for federal funds through the Department of Education. CUAA will also require legal services, risk management, other purchased services.

CURRENT ALLOCATION: $70,000
NET ANNUAL ADDITIONAL COST: $50,000

5. **Information Technology Infrastructure.** CUAA will require separate licenses for the Banner ERP system, student management software, Blackboard, and other items currently provided through a single license paid by CUW. It is estimated that the annual additional incremental costs will be $1.5 million for software, $800,000 for infrastructure and hardware, $400,000 for external support, $50,000 for IT operating costs, and $950,000 for additional personnel, in order to run a completely free-standing information technology infrastructure on the Ann Arbor campus. These estimates exclude costs of a data transfer from the CUW Banner system and similar one-time costs, which could vary depending on how much data is brought over and in what way.

CURRENT ALLOCATION: $170,000
NET ANNUAL ADDITIONAL COST: $3,700,000

6. **Accreditation One-Time Startup Costs.** Within three years, CUAA must obtain its own accreditation from the HLC. Currently, CUW manages this process. There are significant startup costs involved.

CURRENT ALLOCATION: $0
NET ANNUAL ADDITIONAL COST: $50,000 ($150,000 total divided by three years)

7. **Capital Maintenance and Improvements.** Due to financial constraints, CUAA has largely operated on a "fix when broken" model. To continue as a viable institution into the future, it will need a proactive capital renewal plan to address the backlog of deferred maintenance items. Current high priority needs within the next three years include (in current dollars) $500,000 for a new gym roof, $250,000 for track and grounds work, and $1,350,000 for building improvements (fire alarm system and elevators required by State of Michigan). The net annual additional cost below is the sum of these three items ($2.1 million) divided by three.

CURRENT ALLOCATION: $1,070,000
NET ANNUAL ADDITIONAL COST: $700,000

Thus, the overall additional annual cost required for the Continuation Plan would be approximately $6.1 million per year using FY 23 figures. Additionally, the existing annual cash operating deficit of approximately $3.5 million would still have to be covered.

The Subcommittee determined that the initial launch plan for an independent CUAA should have immediate effect and should cover the next three academic years: 2024-2025, 2025-2026, and 2026-2027. Thus, the total shortfall over the implementation period would be approximately $31.8 million, assuming that expenses increase 5% per year versus the prior year, and that the new CUAA would be able to increase revenues at the same rate:

	2024-2025 (FY 25)	2025-2026 (FY 26)	2026-2027 (FY 27)	THREE YEAR TOTAL
Current Revenues	$23,600,000	$24,800,000	$26,000,000	$74,400,000
Current Expenses	$27,300,000	$28,600,000	$30,100,000	$86,000,000
Additional Expenses	$6,400,000	$6,700,000	$7,100,000	$20,200,000
Shortfall	$10,100,000	$10,500,000	$11,200,000	$31,800,000

The above table was generated by adding 5% to the FY 23 numbers referenced above for each year, and increasing assumed revenues (tuition and auxiliary), assumed current expenses, and assumed additional expenses by 5% each subsequent year. To avoid double-counting physical plant costs, current expenses were calculated based on FY 23 EXCLUDING depreciation, and additional expenses were calculated INCLUDING required additional physical plant spending. These figures also assume that enrollment will be generally constant despite the ongoing decline in available student populations.

Because CUAA is operating at a deficit, increasing revenues and expenses by the same rate simply yields a widening deficit. Thus, a combination of increased revenue and decreased expenses would be needed to narrow the deficit.

Options for increased revenue include:

- Increase in net tuition dollars. If CUAA were able to increase net tuition revenue by an extra 3% (beyond the assumed 5% annual increase), this would generate, in current dollars, approximately $500,000 in the first year and a total of $1.6 million over three years. Any tuition increase would need to be balanced against loss of enrollment if tuition becomes less affordable.
- Occupational therapy/physical therapy/physician assistant programs. CUAA continues to enroll students in occupational therapy/physical therapy, and physician assistant programs. If fully enrolled to the maximum capacity of north campus facilities (requiring a substantial increase in enrollment in some programs), and if full enrollment could be maintained, these programs could generate, in current dollars, up to an additional $3.2 million per year in net tuition revenue after the cost of adding additional instructional staff.
- International students. Increased enrollment of international students has been an increasingly popular means of driving revenue at both public and private institutions. However, international student populations require significant additional staffing to support logistics, language, and other needs, impacting the revenue margin. Also, international events can impact enrollment unexpectedly.

- Contracted housing. Because there is no capital available for new construction, CUAA could engage a private firm to finance and operate new residence halls. This could help increase enrollment by offering updated housing options at no cost to CUAA (other than a contribution of land). However, the revenue to CUAA from privately operated housing would be minimal in the near future because most of the housing fees would be collected by the private operator. New housing could also allow CUAA to take existing housing "off line" if it requires significant capital projects; that would lessen the renovation budget but would also end the revenue stream from the existing, CUAA-owned housing.
- New academic programs. CUAA could attempt to develop new and/or online programs, including higher margin graduate programs. New programs, however, require an investment in startup costs for several years before generating revenue, and programs in popular areas face competition from larger and better funded institutions. In light of the decline in student population in the states nearest CUAA, even maintaining existing enrollment levels will be challenging, let alone driving growth.
- Development. CUAA would need a major increase in donations even if all of the above items could be implemented.
- More intensive use of campus facilities to generate revenue year-round.

Options for cutting expenses include:

- Academic program cuts. Because CUAA is already fairly leanly staffed, it would actually have to add staffing (as discussed above) to operate independently. There is relatively little excess faculty and staff unless CUAA were to eliminate entire programs to allow reductions in force for related faculty and staff. Valparaiso University recently announced such cutbacks to a wide variety of programs. The savings would depend on how deeply CUAA chose to cut, recognizing that some students will also leave if their preferred programs are not available.
- Athletic program cuts. CUAA has driven enrollment growth in recent years through a rapid increase in athletic programs. As noted above, these programs come at a cost for staffing and operational expenses: $5.2 million in FY 2023. CUAA could eliminate some of the most costly programs, recognizing, however, that this would also result in loss of students who enrolled due to the ability to participate in a particular sport.

Increased Enrollment/Enrollment Management Discussion

CUAA has experienced growth in its undergraduate student population, contrary to the general trend of declining undergraduate enrollment at many institutions (including CUW). However, despite this growth, the net deficit has not decreased: Tuition revenue and expenses have grown at roughly the same rate. The additional students are not generating marginal "profit" towards the operating cost of CUAA.

A significant driver of enrollment has been growth of the student-athlete population. CUAA athletic programs carry significant costs for recruiting, coaching, travel, and other expenses: roughly $5.2 million in FY 2023, which is nearly 19% of total CUAA annual expenses. Thus, the athletic growth has not helped the bottom line. Because residence halls are already at capacity, the new students do not generate significant auxiliary revenue from dorm occupancy. Rosters for the programs are at capacity, so it is not possible to continue to increase the student-athlete population unless new sports can be launched. Additionally, with large roster numbers, not all students achieve their desired playing time, which can lead to "churn" where students drop out or transfer to other institutions. This has a negative impact on the university's overall student retention and graduation rates as publicly reported. Students who leave must be replaced, requiring additional recruiting time and expense.

Enrollment management is a delicate science. Students with higher academic profiles are in demand, and thus they tend to qualify for higher levels of scholarship assistance, reducing the amount of net tuition. Students with lower academic profiles, on the other hand, may require remedial courses, individualized tutoring, and academic counseling to ensure that they reach their full academic potential and succeed in college. International students may need similar assistance navigating U.S. culture, immigration and financial issues, and academics. These support services are an increased cost to the institution, which also impacts revenue and expenses. Institutions can grow any student population through tuition discounting, co-curricular or athletic programming, more international students, and/or more open enrollment standards, but this growth comes at a cost in a time of student scarcity. The current enrollment management at CUAA has emphasized growth through athletics, but this balance has not helped the bottom line.

Additional Specific Questions and Responses

The subcommittee was also specifically directed by the Board of Regents to:

- Assess the ability and willingness of the Michigan, Ohio, Indiana, and English Districts of the LCMS, as well as the Michigan Church Extension Fund, and other identified funding partners/donors, to support the Ann Arbor campus financially, enabling it to function within a sustainable financial model.

In the first week of April, the Subcommittee contacted the Michigan, Ohio, and Indiana District Presidents, the English District Bishop, the LCMS Board of Directors, the Concordia University System Board, and the Michigan District Extension Fund, to determine (a) whether, and to what extent, each entity would be willing to make an initial "launch" contribution toward an independent CUAA by December 31, 2024, and (b) whether, and to what extent, each entity would be willing to commit to ongoing annual support for an independent CUAA. Per the Resolution, other CUS schools were not approached to serve as financial partners for the Ann Arbor campus.

The Michigan District, which led a widely-publicized effort to solicit pledges in support of CUAA, has advised that it has received $3,675,000 in pledges and a commitment from its Board of Directors of $125,000 from the District budget, subject in each case to certain contingencies, for one year of operational support for CUAA without a commitment for future years. The Indiana District reported that "we would not feel comfortable committing to anything until there is some 'hard data' and a firm plan in place demonstrating a reasonable indication of ongoing sustainability." The LCMS Board of Directors reported that funding is not available, per Board policy determination. To date, the subcommittee has not received a response from the remaining districts and entities that were contacted.

- Assess the ability of groups related to the Ann Arbor campus to create an escrow fund of $10 million before the submission of the subcommittee's report.

In light of the responses to the previous question, the subcommittee does not believe that an escrow fund of $10 million can be created to secure the launch of CUAA as an independent campus.

- Recommend an expeditious timeline for the Ann Arbor campus to achieve self-governance within CUS guidelines while permitting CUW to divest itself of financial obligation and responsibility.

The Board of Regents determined that the initial launch plan for an independent CUAA should have immediate effect, and should cover the next three academic years: 2024-2025, 2025-2026, and 2026-2027. Accordingly, the Subcommittee report is based on that timeline.

Tabular Summary of Additional Infrastructure and Support for Freestanding CUAA Institution

	Staff Administration Positions	Recruitment & Marketing	Development	Professional Services	IT Related Costs (Software & Other Licenses)	Accreditation Expenses	1 Total Additional Operating Expenses	g Capital Maintenance (Total)	2 Capital Maintenance (Annual) (Total / 3 yrs.)	1+2 Total
Personnel	a $ 1,000,000	b $ 375,000	c $ 200,000		e $ 950,000		$ 2,525,000			$ 2,525,000
Internal Operating Expenses										
- Advertising/Subscriptions		b1 $ 45,000					$ 45,000			$ 45,000
- IT Operating					e1 $ 50,000		$ 50,000			$ 50,000
External Consultants/Service Providers				d $ 50,000	e2 $ 400,000	f $ 50,000	$ 500,000			$ 500,000
Technology										$ -
- Software related expenses					e3 $ 1,500,000		$ 1,500,000			$ 1,500,000
- Technology Infrastructure					e4 $ 800,000		$ 800,000			$ 800,000
Capital Investments							$ -			$ -
- Roofing							$ -	g1 $ 500,000		$ -
- Building Improvements							$ -	g2 $ 1,350,000		$ -
- Grounds Improvements								g3 $ 250,000		
	$ 1,000,000	$ 420,000	$ 200,000	$ 50,000	$ 3,700,000	$ 50,000	$ 5,420,000	$ 2,100,000	$ 700,000	$ 6,120,000

a An assumption of $100,000 for the 10 following positions: President, CFO, Provost, VP Enrollment, Director of FA, Title IX Dean of Students, Controller, Registrar, OIE Staff (2).
b Positions include Marketing Manager, Graphics Design, Social Media, Marketing Communications, etc.
b1 Subscriptions for various marketing initiatives & advertising spend (primarily online outlets).
c 2 advancement staff. Note - IT costs related to Development operations are assumed to be included in the Software & Other Leases category.
d Financial statement & other audit services.
e Staffing position include IT Department Leadership, Networking Director, Audio/Visual staff, System Administrators, Academic Computing, etc.
e1 Recognition of marginal expenses associated with operating an independent IT department.
e2 Professional services to support campus systems.
e3 Expenses associated with software and hardware necessary to operate Banner independently (including cloud infrastructure, etc.) - Blackboard, Banner, Parking System, Oracle, etc.
e4 Expenses associated with the maintenance and repair of cloud infrastructure, networking systems, and other non-capitalizable IT equipment/supplies.
f Includes base accreditation fees as well as travel/hospitality related expenses.
g Capital projects that were deemed to be necessary in the near term (FY25-27). This cost was annualized to add to total additional operating expenses.
g1 Cost associated with the repair of the gymnasium roof.
g2 Costs associated with the repair of various building systems that would be capitalizable including fire alarms, elevators, etc.
g3 Costs associated with the repair of campus grounds that would be capitalizable.

PROPERTY & LEGAL SUBCOMMITTEE REPORT

General Direction and Included Scope

The Property and Legal Subcommittee of the CUWAA Task Force was asked to research and assess issues related to the current Ann Arbor campus property becoming a standalone institution of higher education in the Concordia University System.

Excluded Scope

The subcommittee did not consider any models related to the transition from a traditional residential campus to an exclusive virtual or online education institution.

General Property Information

Concordia University Ann Arbor (Main Campus)
4090 Geddes Rd.
Ann Arbor, Washtenaw County, Michigan 48105
IRR - Detroit File No. 142-2024-0135
February 2024 value: $17,800,000.00

This overall property contains approximately 275,238 square feet of building area. The majority of the campus building improvements were constructed in 1963, excepting the historic residence constructed in 1936 and the athletic field house constructed in 2015. The campus includes 30 buildings of mixed academic buildings, residence halls, athletic facilities, and support services with an area of 135.61 acres.

Concordia University Ann Arbor (North Campus)
3475 Plymouth Road
Ann Arbor, Washtenaw County, Michigan 48105
IRR - Detroit File No. 142-2024-0178
February 2024 value $10,000,000.00

The property contains 85,728 square feet of gross leasable area. The improvements were constructed in 1964 and recently renovated in 2016. The site area is 9.58 acres.

Summary

The subcommittee included the following items in our document review:

An April 5, 2024, memorandum from the legal firm Husch Blackwell regarding the 2013 updated reversionary clause

- The updated reversionary clause is effectuated only in the event both institutions conclude operation and dissolve, no longer serving as educational or religious institutions. Only in that instance would the property revert to the LCMS . Otherwise the 4090 Geddes Rd. and 3475 Plymouth Road properties remain the fiduciary responsibility of the CUWAA Board of Regents.

A review of the LCMS Bylaws relating to synodical property and universities.

- A careful review of the 2023 LCMS Handbook identified six specific bylaws pertaining to property. It is the opinion of the subcommittee that any action needed by the LCMS Board of Directors would take significant time; Therefore, it is recommended that two years be included in any property plans related to the Ann Arbor campuses.

A lease with the Michigan District of the LCMS.

- On August 21, 1964, a ninety-nine year lease was signed between Concordia Lutheran Junior College (now CUWAA) and the Michigan District for a ten acre parcel for the purpose of building a district office.

Recommendation

To function as an independent residential campus, the existing Ann Arbor campus property would need to be maintained in its current configuration. It is reasonable for Concordia University, Inc. (CU, Inc.) to recover fair market property and equipment value during the creation of a standalone institution of higher education. Therefore, the subcommittee recommends a land contract between CU, Inc. and the independent CUAA. This will ensure the exchange retains the property under the bylaws of the LCMS.

Option 1 – Entire Campus
The recommended land contract would include both Ann Arbor properties and all the current buildings, equipment, furnishings, and accoutrements. All maintenance and capital improvements would be the responsibility of CUAA and would be included in any reversionary, forfeiture, or default clauses of the contract.

Terms:
$25 million at 5% amortized over thirty years =
$134,205.00 a month or
$1.6 million a year

CU, Inc. would establish an escrow account to receive payments and would be unable to use the revenue until the conclusion of the contract or forfeiture. In the event CUAA ceases operation or forfeits on payments, the property and the escrow account would revert to CU Inc.

Option 2 – 4090 Geddes Road (Main Campus)
The recommended land contact would include the 135.61-acre parcel with the existing buildings, equipment, furnishings, and accoutrements. All maintenance and capital improvements would be the responsibility of CUAA and would be included in any reversionary, forfeiture, or default clauses of the contract.

Terms:
$18,000,000.00 at 5% amortized over thirty (30) years =
$96,627.89 a month or
$1,159,524.00 a year

CU Inc. would establish an escrow account to receive payments and would be unable to use the revenue until the conclusion of the contract or forfeiture. In the event CUAA ceases operation or forfeits on payments, the property and the escrow account would revert to CU Inc. CUW would retain the North Campus permitting the located graduate programs to continue with their related accreditations.

Michigan District Lease
For the sake of good order and in support of the work of the Michigan District, the subcommittee recommends that representatives of Concordia University Wisconsin meet with

the president and the business manager of the Michigan District of the LCMS within three months of the closing of that district's triannual convention. The intent will be to review and discuss any items or needs related to the lease of the ten-acre parcel.

MISSION SUBCOMMITTEE REPORT

The CUWAA Board of Regents authorized a task force in March of 2024 charged with "explor[ing] the possibility of CUAA returning to autonomous status as a stand-alone university within the Concordia University System." The Mission Subcommittee consists of Rev. Mark Braden (chair), Rev. David Davis, Rev. David Fleming, Rev. Dr. Aaron Moldenhauer, Rev. Dr. Ryan Peterson, and Rev. Dr. Richard Stuckwisch. This group conducted its analysis by reviewing documents attesting to Lutheran identity and mission on the Ann Arbor campus and by conducting a visit of the campus on April 25–26, 2024.

This report summarizes the committee's findings as they carried out their assignment to "assess the ability of CUAA to meet LCMS CUS LIMOS standards, etc." The subcommittee recognizes that the LIMOS are newly revised by Synod and just beginning to be used in their present form for campus visitations by the CUS Board. Accordingly, it recognizes that the LIMOS have not been deployed as an instrument at CUAA to date.

Summary Conclusions

The overarching conclusion of the committee is that there are many positive indications of Lutheran mission and identity on the Ann Arbor campus. While the campus is decidedly Christian in identity, the committee finds that the campus would require time and resources to implement the LIMOS and build Lutheran identity on the campus. Specifically, in terms of personnel the committee recommends a chief mission officer and an additional campus pastor. These positions would work to strengthen campus worship and ministry, and to develop staff and faculty to grow into a deeper understanding of and living out of Lutheran theology (ecclesiology, sacramentology, fellowship) as they carry out the mission. There is a further need to add to the theology faculty. The committee envisions a four-to five-year trajectory of growth in these areas with the LIMOS serving as a formative tool in order for CUAA to have a CUS Board visit that finds them fulfilling the LIMOS.

The strength of the campus is a close community of individuals who care passionately about Jesus and the university. The weakness is a shallow understanding of Lutheran mission and identity that equates evangelization with Lutheran mission and identity. While it is clear to the committee that the campus is Christian, it is less clear that it is distinctively Lutheran as defined by the LIMOS. Efforts, particularly development of personnel, would be needed to build from a clear Christian identity to a distinctively Lutheran identity.

The remainder of this report comments on the individual LIMOS, as an example of a report that would follow a CUS Board visit of the campus using this instrument. These details support the snapshot of the campus' current state of mission and identity as well as the path forward laid out above.

Identity Standard I—Ecclesiastical Mission and Goals

CUAA has a mission statement that is Christ-centered and aims the university to prepare students for service in the world. An independent CUAA would need to develop its own mission statement, values, etc. Conversations with constituents make evident a strong heart for evangelization and a zeal for bringing people to Christ. This heart for the lost is laudable, but the campus would need to work to develop further evidence beyond successful evangelism efforts that it is meeting the Mission and Identity Objectives laid out by the CUS.

Evidence for areas of strength:

- Students, staff, faculty emphasize the evangelism opportunities on campus.
- Many spoke of specific instances of students whom the Lord brought to faith at CUAA.
- Many spoke of the importance of being a Christ-centered institution.

Evidence for areas of growth:

- Building a mission statement would take time and resources; It would include board representation as well as key leaders from faculty and staff.
- A current lack of attention to the LIMOS shows that implementing the LIMOS as a formative tool would take time and resources.
- Similarly, future self-reporting and assessment with the CUS would need to prioritize the LIMOS as markers of Lutheran identity and mission.
- There is a paucity of Lutheran symbols (crucifixes, creedal statements, etc.) on campus.

Identity Standard II—Spiritual and Academic Life

The curriculum for undergraduates and graduates includes an integration of faith and learning. Academic classes help students incorporate faith into their future career plans. There are good efforts underway to deepen faculty understanding of Lutheran theology and incorporation of that theology in the classroom. Chapel worship demonstrates the need to grow in a lived confession of sacramental theology and liturgical understanding. The campus has been blessed with opportunities to bring people to baptism, but needs to grow in how these baptisms bring converts into Christ's church. An emphasis on relations allows the campus pastor to minister to students, but runs the risk of elevating the office-holder above the office. See Confidential Appendix.

Evidence for areas of strength:

- On a regular basis students seek out baptism while at CUAA.
- Athletic teams have a regular schedule of chapel attendance.
- The Faith and Vocation Seminar is a good piece of faculty development for mission.
- The core curriculum for undergraduates requires three theology courses.
- Students speak to the value of considering their future careers through the lens of vocation.

Evidence for areas of growth:

- A chapel service on April 27 included a lector who is outside the fellowship of the LCMS.
- Chapel services evidence a lack of understanding of how various liturgical components (e.g., invocation, opening versicles) function in the service.
- Students lead a prayer immediately following chapel in a different location on campus. The purpose of this in relation to chapel needs to be explored.
- The chapel should take care to avoid gestures and postures that confuse the role of

the pastor and the laity.

- Chapel services should grow in Lutheran sacramental theology, incorporating confession and absolution and demonstrating a greater focus on the proclamation of the Word as the central focus of chapel.
- The catechesis of baptismal candidates should be strengthened, and ideally handed off to local congregations to facilitate the incorporation of the baptized into their new place in the congregation.
- Student understanding of Lutheran identity and theology is uneven.

Identity Standard III—Student Recruitment and Student Life

There are ongoing efforts to increase the Christian profile of the institution. The strength of these efforts is clear communication to incoming students about the Christian identity of the institution along with renewed efforts to recruit Lutheran students. Faith is integrated into student life direction, policies, and training. The campus is making efforts to increase the low percentage of Lutherans in the student body. While athletics are clearly Christian, non-Lutheran coaches taking teams to visit non-Lutheran congregations confuses the Lutheran identity of the campus.

Evidence for areas of strength:

- Admissions is prioritizing grass-root efforts with Lutheran churches and schools. These include regular visits to Lutheran and Christian high schools.
- Clear messaging to prospective students on identity of the institution.
- Student life policies, training, and recruitment align with Lutheran identity.

Evidence for areas of growth:

- The student body is 18% Lutheran, 13% LCMS.
- Non-Lutherans leading athletic prayers and devotions is an area to address.
- Team visits to non-denominational churches send a confusing message to students.
- Student life staff is not clear on appropriate boundaries for programming that supports the worship of other deities.

Identity Standard IV—Planning & Resourcing

Enrollment at CUAA has grown in recent years in spite of inferior facilities in parts of the campus. This is a testament to a strength of growing enrollment, while also showing a need for increased funding for capital projects. Personnel decisions currently reside primarily with the executive team located in Mequon. An independent CUAA would need resources for capital projects and to develop its own leadership team.

Evidence for areas of strength:

- Human Resources aligned with mission at present.
- Careful mission fit work is being done when hiring.

Evidence for areas of growth:

- Expressed desire to build staff development programming to help deepen staff's understanding of Lutheran theology and identity.
- Largest budgets are building and grounds and athletics; need to align budget with mission priorities.

- An independent CUAA would need to develop its own strategic plan, leadership team, etc.
- Need to build up the number of full-time faculty in the theology department.

Identity Standard V—Governance, Leadership, and Administration

The subcommittee recognizes that an independent CUAA would need to build its own board of regents and call its own president. A new board and administration would show its commitment to Lutheran identity and mission, and embrace its place in the LCMS . Keeping Lutheran identity and mission at the forefront while assembling such a board and administration would be key to success in this area.

Identity Standard VI—Assessment and Effectiveness

Currently the Ann Arbor campus shares a mission statement and core values with the Mequon campus. An independent CUAA would need to develop its own ecclesiastical goals and metrics to assess them. The campus has a clear and laudable commitment to evangelism. This commitment should be paired with the primary mission of higher education in developing these. Work with CUS during its regular visitations would help an independent CUAA develop strong goals and metrics.

Evidence for areas of strength:

- Students have powerful stories of the Lord working in their lives.

Evidence for areas of growth:

- The LIMOS are just beginning to play a formative role in the institution. This will need to be strengthened.
- As the LIMOS come into play, the goals and metrics for measuring mission effectiveness should expand beyond evangelism.

Identity Standard VIII—Handling & Resolving Concerns of Constituents

Policies to address concerns would need to be developed. At the moment, no such policies have been presented to the committee, beyond some reporting of individual instances being addressed through personal correspondence and conversation.

Concordia University Wisconsin & Ann Arbor is a Lutheran higher education community committed to helping students develop in mind, body, and spirit for service to Christ in the Church and the world.

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