March 7, 2017

Greg Henson, President  
Sioux Falls Seminary  
2100 S. Summit Avenue  
Sioux Falls, SD 57105

Dear President Henson:

This letter is formal notification of action taken by the Higher Learning Commission (“HLC” or “the Commission”) Board of Trustees (“the Board”) concerning Sioux Falls Seminary (“the Seminary” or “the institution”). At its meeting on February 23, 2017, the Board voted to remove the sanction of Probation from the Seminary. This action is effective as of the date action was taken. The Board determined that removal of the sanction was warranted based on materials from the Seminary’s most recent comprehensive evaluation including, but not limited to: the Assurance Filing the Seminary submitted, the report from the comprehensive evaluation team, the report of the Institutional Actions Council (“IAC”) Hearing Committee, the institution’s responses to these reports, and other materials relevant to the evaluation.

The Board required that the Seminary file an Interim Report no later than September 30, 2018 on the following topics:

- **Assessment (Core Component 4.B)**
  - Examples of both indirect and direct measures of assessment;
  - Examples of results of these measures; and
  - Examples of how these results were used to inform instruction, curriculum or the assessment process.
- **Finances (For FY 2017 and FY 2018) (Core Component 5.A)**
  - Operating cash balance;
  - Amount of debt, including the sources of debt;
  - Fundraising results, including Comprehensive Campaign;
  - Liability to asset ratio; and
  - Composite Financial Index (CFI).

In addition, the Board approved the Seminary’s embedded substantive change application to offer online courses in its Master of Divinity (66%), Master of Arts in Christian Leadership (50%), and Master of Arts in Bible and Theology (100%) programs.

The Board placed the Seminary on the Standard Pathway and required that it host its next comprehensive evaluation for Reaffirmation of Accreditation in 2020-21.

The Board based its action on the following findings made in regard to the Seminary:
The Seminary has demonstrated that it now meets Criterion Four, Core Component 4.B, “the institution demonstrates a commitment to educational achievement and improvement through ongoing assessment of student learning,” but with concerns for the following reasons:

- The Seminary’s reliance on direct measures, as opposed to what has been a significant reliance on indirect measures and self-reports of student learning, is a very recent development that requires more evidence of successful implementation;
- Early assessment efforts have resulted in different levels of accuracy of self-assessments among students in face-to-face and online learning; and
- Since many forms of assessment are new, there has been limited time to evaluate the effectiveness of specific assessment tools and techniques.

The Seminary has demonstrated that it now meets Criterion Five, Core Component 5.A, “the institution’s resource base supports its current educational programs and its plans for maintaining and strengthening their quality in the future,” but with concerns for the following reasons:

- The Seminary has demonstrated positive cash flows and increased its unrestricted assets in each of the last three fiscal years, resulting in a current liability-to-asset ratio of 66%;
- The Seminary now closely monitors spending and financial metrics through a dashboard reviewed on a monthly basis by the institution’s senior leadership and Board;
- The Seminary no longer relies on a line of credit for cash flow, but instead has developed a reserve of $250,000 that assures its capacity to fund several months of operations with slow income; it has also implemented a year-round payment system for a portion of its students;
- The Seminary’s debt is approximately $9.4 million and long-term debt repayment is projected to be complete within 17 years as a conservative estimate, and 10-12 years based on continued underspending of operational budgets;
- The Seminary is in the quiet phase of a comprehensive campaign with a goal of raising $6 million over the next 5 years;
- The Seminary reclassified $1.26 million in permanently restricted endowment funds to unrestricted board-designated funds and refinanced its mortgage debt with payment in 2016 of $22,000 per month, with a balloon payment due on March 15, 2021 of over $3 million;
- A loan was obtained from the Sioux Falls Seminary Foundation, a separate 501(c)3 organization, which has been dissolved and the finances merged with the Seminary;
- A loan was secured from Augustana College, a nearby higher education institution, in the amount of $300,000, of which $200,000 remains outstanding; and
- The Seminary has had a CD with the U.S. Department of Education for many years to cover its obligation under DOE’s “financial responsibility” test and has made forward progress in the last few years towards obviating the need to maintain that CD, but does not have any timeframe for becoming fully compliant on that matter.
The Seminary has demonstrated that it now meets Criterion Five, Core Component 5.B, “the institution’s governance and administrative structures promote effective leadership and support collaborative processes that enable the institution to fulfill its mission,” for the following reasons:

- The Seminary has made significant changes at the Board level, including revising the bylaws and appointing a new Board chair and several Board members with business experience;
- A direct meeting with the Board of Trustees confirmed they are knowledgeable about the Seminary, cognizant of its past and future challenges, aware of their role within the Seminary, and focused on meeting the Seminary’s strategic objectives;
- A new orientation program has been developed for Board members that takes into account the life cycle of trustees;
- The Seminary’s budget is developed by its own Chief Financial Officer (hired in 2013) with input from constituents across the institution over a 7-month period prior to approval by its Board of Trustees;
- While back office and business operations such as business office support, buildings and grounds management, maintenance, library, information technology, financial aid processing and student recreation services are outsourced to Augustana College, the Seminary employs its own personnel who are directly responsible for admissions work, including application decisions, financial aid packaging and exit counseling, and academic advising; and
- The Seminary provided evidence of a written agreement memorializing its partnership, including payment arrangements, with Augustana College.

The Seminary has demonstrated that it now meets Criterion Five, Core Component 5.C, “the institution engages in systematic and integrated planning,” for the following reasons:

- The Seminary has created a comprehensive, integrated strategic plan with initiatives focused on enrollment management, financial performance, training and development, the comprehensive campaign, and debt reduction;
- A broad range of constituents including faculty, staff, board, denomination members and community leaders collaborated through constituency groups to inform the strategic planning process;
- The Seminary has developed an institutional assessment plan that informs its planning; and
- The Seminary provided evidence that the strategic plan informs budget development.

The Seminary has demonstrated that it now meets Criterion Five, Core Component 5.D, “the institution works systematically to improve its performance,” because it now regularly reviews data from dashboards related to student experiences, program-level assessments, retention and higher level data from operations to inform decision making related to institutional improvement.
The Seminary has demonstrated that it is otherwise in compliance with the Criteria for Accreditation, Assumed Practices and Federal Compliance requirements and satisfies the requirements for approval of its substantive change request.

At this time, the Commission will reassign the Seminary from its liaison Vice President Anthea Sweeney to Vice President Thomas Bordenkircher, Vice President for Accreditation Relations. Please be assured that Dr. Sweeney will work with Dr. Bordenkircher to create a smooth transition.

The Board action resulted in changes to the affiliation of the Seminary. These changes are reflected on the Institutional Status and Requirements Report. Some of the information on that document, such as the dates of the last and next comprehensive evaluation visits, will be posted to the HLC website.

Information is provided to members of the public and to other constituents in several ways. Commission policy INST.G.10.010, Management of Commission Information, anticipates that HLC will release action letters to members of the public. The Commission will do so by posting this action letter to its website. Also, the enclosed Public Disclosure Notice will be posted to HLC’s website not more than 24 hours after this letter is sent to you.

In addition, Commission policy COMM.A.10.010, Commission Public Notices and Statements, requires that HLC prepare a summary of actions to be sent to appropriate state and federal agencies and accrediting associations and published on its website. The summary will include HLC Board action regarding the Seminary.

On behalf of the Board of Trustees, I thank you and your associates for your cooperation. Please contact Dr. Bordenkircher if you have questions about any of the information in this letter.

Sincerely,

Barbara Gellman-Danley
President

Enclosure: Public Disclosure Notice

cc: Chair of the Board of Trustees, Sioux Falls Seminary
    Shanda Stricherz, Chief Creative Officer; Vice President of Project and Strategic Design, Sioux Falls Seminary
    Evaluation team chair
    Institutional Actions Council Hearing Committee chair
    Thomas Bordenkircher, Vice President for Accreditation Relations, Higher Learning Commission
    Anthea Sweeney, Vice President for Accreditation Relations, Higher Learning Commission
    Karen Peterson Solinski, Executive Vice President for Legal and Governmental Affairs, Higher Learning Commission