

Activity Report 2009–2010



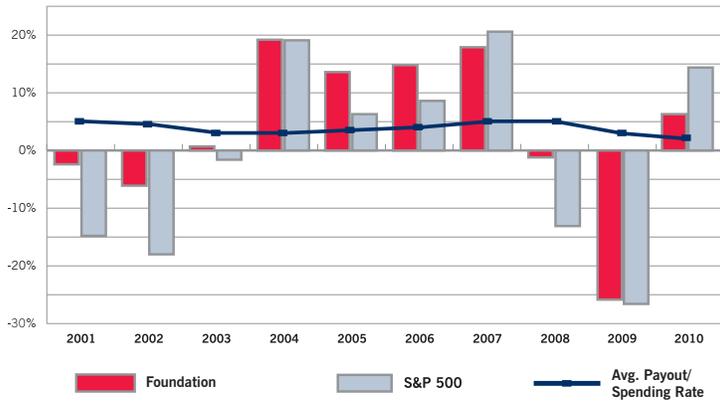
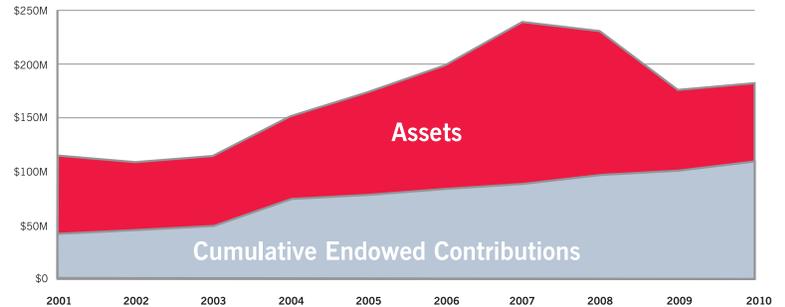
BALL STATE UNIVERSITY
FOUNDATION

Through private contributions, our students experience relevant immersive learning opportunities, extraordinary access to expert faculty mentors, nationally recognized academic programs, and cutting-edge technology resources that prepare them for productive careers and leadership roles in many specialized fields.

GROWTH IN ASSETS

During fiscal year 2010, donor support, along with investment returns of 6.0%, raised foundation assets to more than \$179 million.

When making a gift, donors may choose to add to an existing fund or create a new expendable or endowed fund. Expendable funds are readily available to meet the university's immediate needs. Endowed funds are perpetual gifts that link past, present, and future generations by providing a percentage of the fund balance as a spendable amount for the designated purposes.



INVESTMENT PERFORMANCE

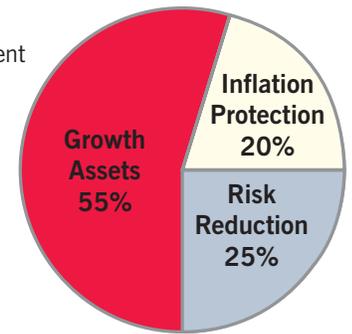
The objective of the foundation's investment policy is to provide a real rate of return over inflation sufficient to support, in perpetuity, the mission of the foundation. The policy balances attaining the highest total rate of return with a prudent level of risk, providing growth in excess of the rate of inflation, and generating resources to meet the current and future needs of the university. In fiscal year 2010, the foundation's investment performance of 6.0% trailed the S&P 500 index return of 14.4%, but the foundation's five-year average return of +1.35% compares favorably to the S&P 500 index return of -0.8%.

CURRENT SPENDING AND PAYOUT RATES

The Ball State University Foundation Board of Directors annually reviews the spending and payout policies to maintain balanced investment and spending strategies that provide steady, continuous income while allowing for inflation and market conditions over time. For fiscal year 2010, the Stable Value Fund payout rate and the Legacy Fund spending rate was 2%. The spending and payout rates will be 2.25% for fiscal year 2011.

ASSET ALLOCATION

The foundation board seeks superior investment returns with a prudent level of risk and volatility through professional money management. The foundation uses 50 professional investment firms and an investment consultant with expertise in investment policy development, spending policy analysis, manager evaluation and selection, and performance evaluation. The chart at right represents the target asset allocation as of June 30, 2010.



TYPES OF FUNDS

ANNUALLY FUNDED SCHOLARSHIPS—These funds are expendable funds to which donors pledge annual contributions. The foundation must receive contributions by January 15 in order to make scholarship awards for the next academic year. No administrative fee is charged to Annually Funded Scholarships. A fundraising fee determined by the foundation board may be assessed to certain contributions such as telemarketing and planned gifts.

ENDOWMENTS—The foundation currently offers three types of endowed funds.

- **Stable Value Fund Endowments**—The cumulative value of all endowed contributions (valued on the date of each gift), less fundraising fees, plus any reinvestment, represents the endowed amount. The fund balance includes the endowed amount, the available spendable amount, and the committed amount. A percentage, as determined by the foundation board, of the fund balance is available as a spendable amount for the purposes designated in the agreement. The Stable Value Fund does not participate in investment gains or losses. The donor may choose to reinvest a percentage of the fund balance back into the endowed amount for long-term growth. In addition to providing the spendable amount for the support of the designated purposes, investment earnings may be spent on board approved priority needs of Ball State University, which may include fund administration expenses. No administrative fee is charged to a Stable Value Fund. A fundraising fee determined by the foundation board may be assessed to certain contributions such as telemarketing and planned gifts. Currently, endowed contributions totaling \$25,000 are required to establish a Stable Value Fund.
- **Legacy Fund Endowments**—The current market value of all endowed contributions (increased or decreased by investment returns), less fees, represents the endowed amount. The endowed amount, the available spendable amount, and the committed amount form a fund balance that participates in the earnings, gains, and losses of the

foundation's investment portfolio on a total return basis. A percentage, as determined by the foundation board, of the fund balance is available as a spendable amount for the purposes designated in the agreement. If investment earnings are insufficient during a period of time to provide for the annual expenditures, the Legacy Fund balance may decline below the total of cumulative endowed contributions. This decline will also result in a reduction of the amount available for support of the purposes designated in the agreement, but since there is no guaranteed minimum fund balance, support for these designated purposes will continue. Administrative fees are assessed as determined annually by the foundation board. A fundraising fee determined by the foundation board may be assessed to certain contributions such as telemarketing and planned gifts. Currently, endowed contributions totaling \$50,000 are required to establish a Legacy Fund.

- **Conversion Endowments**—Fund agreements may allow for an automatic conversion from a Stable Value Fund to a Legacy Fund if applicable endowed contribution minimums are met. The fund will be managed as a Stable Value Fund until such time it meets the requirements for a Legacy Fund. Starting at the beginning of the next quarter, the fund will be managed as a Legacy Fund.

EXPENDABLE FUNDS—These funds are not permanent endowments. All contributions to these funds are wholly expendable. Administrative fees are assessed as determined annually by the foundation board. A fundraising fee determined by the board may be assessed to certain contributions such as telemarketing and planned gifts.

UNIVERSITY SCHOLARS ENDOWMENT—This is a pooled scholarship endowment that provides awards for current strategic priorities. For a minimum gift of \$6,000, a scholarship, as named by the donor, is permanently listed as a participant in the pooled fund. For a minimum gift of \$25,000, a specific student is awarded the scholarship with an opportunity for the donor to meet the student at an annual event hosted by the university.

DEFINITION OF TERMS

CHANGE IN MARKET VALUE—Gains and/or losses from the foundation's investment portfolio, net of investment fees, attributed to Legacy Funds.

COMMITTED AMOUNT—Money encumbered for a specific expense but not yet dispersed.

CONTRIBUTIONS—Gifts by donors to a fund or endowment.

DEPOSITS—Monies added to a fund other than contributions (e.g. event fees).

DISBURSEMENTS—Monies paid from the spendable amount for the purposes designated in the agreement.

ENDOWED AMOUNT

- **Stable Value Fund**—The cumulative value of all endowed contributions valued on the date of each gift, less fundraising fees, plus any reinvestments.
- **Legacy Fund**—The current market value of all endowed contributions (increased or decreased by investment returns), less fundraising and administrative fees.

FEES—Annually, the foundation board authorizes the assessment of minimal fees to address the costs associated with raising funds, managing investments, and other administrative functions.

Below is a description of the various fees.

- **Administrative**—Stable Value Funds and Annually Funded Scholarships are not subject to an administrative fee. Contributions and deposits to Expendable Funds are assessed a one-time 2% fee at the time of the contribution or deposit. Legacy funds are charged an annual fee of 1.5%.
- **Planned Giving**—A 2% one-time fee is assessed on all matured gifts up to \$1 million. A 1.5% fee is assessed on the excess. All funds are subject to this fee.
- **Telemarketing**—A 15% one-time fee is assessed when a gift is received as a result of a telemarketing call. All funds are subject to this fee.

FUND BALANCE

- **Stable Value Fund**—The fund balance includes the endowed amount, the available spendable amount, and the committed amount. The fund balance does not participate in investment gains and losses.
- **Legacy Fund**—The fund balance includes the endowed amount, the available spendable amount, and the committed amount. The fund balance does participate in investment gains and losses.

REINVESTMENTS—Stable Value Fund donors may choose to reinvest a percentage of the fund balance back into the endowed amount for long-term growth. If this option is chosen, the spendable amount will decrease by the amount of the annual reinvestment. Reinvestments are added to the endowed amount.

SPENDABLE AMOUNT—Amount available for purposes designated in the fund agreement.

- **Stable Value Fund**—A fund is eligible for the payout rate if the endowed contribution minimum has been met. Amount is calculated semiannually by multiplying the average fund balance for the previous six months by one half the current spending rate as determined by the foundation board. This amount may be reduced by the reinvestment election.
- **Legacy Fund Endowments**—A fund is eligible for the spending rate if the endowed contribution minimum has been met by the first day of the current quarter. Amount is calculated semiannually by multiplying the semiannual fund balance by one half the current spending rate as determined by the foundation board.