

Southern Illinois University Foundation

About the Foundation

The Southern Illinois University Foundation was established in 1942 to solicit, receive, hold, and administer gifts from private sources for educational purposes. The Foundation provides alumni and other friends a means to invest in the future of their University. The Foundation is an independent, nonprofit corporation, which exists solely to further the mission of Southern Illinois University Carbondale.

The Foundation is a designated 501(c)(3) organization with appropriate approval from the Internal Revenue Service to issue tax-deductible receipts for private gifts received to support Southern Illinois University Carbondale.

As indicated in SIU's long range plan, [Southern at 150: Building Excellence Through Commitment](#), the University, through the Foundation, must actively cultivate resources to supplement and stabilize the revenue sources for the benefit of Southern Illinois University. The aspiration targets of implementing a series of capital campaigns, increasing the SIU Foundation's endowment tenfold, and increasing annual donations by 10 percent per year to at least \$50 million annually will assist the university with its vision for the future.

How we manage gifts

- Gifts given to the Foundation are used as the donor advises. A majority of the contributions are restricted for scholarships, a particular college, specific departments or other designated purposes.
- Gifts of securities are promptly converted to cash.
- The Foundation generates a gift acknowledgement which will be mailed promptly.
- The Foundation disburses non-endowed funds for the benefit of SIU.
- For the purpose of strengthening the advancement program and partially defraying the costs associated with the execution of the Southern at 150 initiatives to increase private support, a fee of six percent will be assessed on gifts made to Southern Illinois University or the Southern Illinois University Foundation effective July 1, 2004.
- Endowments are assessed an annualized fee of 1.5% of the market value.

Financial Information

The Southern Illinois University Foundation takes great pride in stewarding the private gifts raised to support Southern Illinois University by acting in a fiduciary capacity when funds are received and expending money as required by the terms of the gift. Financial reporting provided by stewardship supplies donors with information regarding how investment funds have progressed over the last year, summarizing capital value and performance.

The financial and investment operations of the SIU Foundation are under the direct oversight of the Foundation Board of Directors. Investment decisions are made by the Investment Committee, all of whom are volunteers, in coordination with an outside independent consulting firm hired as an advisor to assist in the process. The invested funds are managed by professional investors whose performance is reviewed quarterly by the Investment Committee.

The SIU Foundation financial statements are audited annually by an independent audit firm in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The independent auditors report directly to the SIU Foundation Audit Committee and to the Auditor General.

The SIU Foundation exists for the primary purpose of aiding and assisting SIU in achieving its educational, research, and service goals and responsibilities. We seek positive outcomes and relationships that will address the needs of our donors and friends as well as the development priorities of the University.

Endowments Overview

Endowed funds are invested for perpetuity rather than using the cash for immediate needs. A portion of the earnings from an endowment is distributed to an expendable fund. The remainder is added back into the endowment.

An endowment gift can be designated for specific purposes, such as faculty development or scholarships, or it may be unrestricted. Contributions to an endowment can be in the form of cash, securities, life insurance, or real estate. You may also establish an endowment through planned giving options such as your will or charitable trusts. In any case, the gift will remain invested, and only the investment income from the gift will be used each year for the purpose designated.

The minimum required amount to establish an endowment is \$25,000 (payable over a five year period). When you create an endowment, you are creating a legacy that lives forever. An endowment creates a gift in perpetuity that can remember a loved one, a special mentor, your family or yourself.

Endowed Chair: \$1 million

Income from such an endowment will be used to provide salary supplement and other support such as graduate assistants, travel, equipment, etc. to the chair holder;

Endowed Professorship: \$250,000

Income from such an endowment will be used to provide salary supplement and other support such as graduate assistants, travel, equipment, etc. to the holder of the professorship;

Endowed Visiting Lecturer: \$250,000

Income from such an endowment will be used to provide support to bring to campus individuals of note; such support includes but is not limited to stipends for the lecturer, travel expenses, publication costs, etc.;

Endowed Faculty Fellowship: \$100,000

Income from such an endowment will be used to provide salary supplement and other support such as graduate assistants, travel, equipment, etc. to the fellowship recipient;

Endowed Graduate Fellowships: \$50,000

Income used to provide stipend supplements to graduate students;

Endowed Scholarships: \$25,000

Income used to provide merit, diversity, and need based scholarships to students; and

Facilities (Generally 51% of the Cost)

Naming opportunities are available for buildings and other facilities such as labs, classrooms, athletic fields and arenas, etc. Such naming opportunities must be approved according to University policies and practices prior to any commitment made to the donor.

Distribution Spending Policy

A portion of the revenue generated from the endowment is distributed to a corresponding expendable fund to be used for the endowment's stated purpose. The percent of revenue distributed is reviewed by the Foundation's Executive Committee at least annually. In determining the percent to distribute, the Committee considers the long-term investment performance projection (return on the investments), the purchase power of the dollar (or inflation, which is reinvested back into the endowment) and endowment fees. See below for example.

The current spending policy is:

An annual rate of 4.0% of a twelve quarter moving average of the Endowment Pool.

The twelve quarter moving average should help smooth out the market's ups and downs. The actual distribution is stated below. The distribution consists of interest, dividends and capital gains.

The amount invested from the endowment contributions into the endowment pool is considered the "historical value" of the endowment. If an endowment's historical value is greater than its market value, the endowment has no capital appreciation or gains and is considered an "underwater endowment." Underwater endowments may only distribute interest and dividends according to Illinois State Law.

Example:

If the investment performance projection is 10% (which is our 7-10 year average forecast), inflation is 4.5% (a combination of CPI and HEPI) and the endowment fee is 1.5% then 4.0% ($10.0 - 4.5 - 1.5 = 4.0$) is left over for distribution to the expendable fund to be used for the endowment's stated purpose.

Actual distribution rate for December 31, 2009:

4.053%.

Distribution Projection

To project the annual amount that a new endowment may distribute in revenue, the following calculation should be used:

Amount of contribution times supplement fee times the actual distribution rate. See below for the actual distribution rate and an example of this calculation.

To project the annual amount of an existing endowment, the calculation to be used is:

Current market value of endowment times actual distribution rate. See below for the actual distribution rate.

Actual distribution rate for December 31, 2009:

4.053%

Example:

If one wanted to know how much revenue would be distributed annually from a \$25,000 endowment for a scholarship, the following calculation should be used:

$$\$25,000 \times .94 \times 4.053\% = \$952$$

Please remember this is only an estimate. The endowment distribution rate changes each quarter due to the changes in the market value of the endowment investment pool.

Projecting Endowment Level

To project the amount needed for a **new** endowment to generate a specific amount of revenue distribution, the following calculation should be used:

Amount of distribution divided by the actual distribution rate divided by the supplement fee. See below for the actual distribution rate and an example of this calculation.

Actual distribution rate for December 31, 2009:

4.053%

Example:

If one wanted to know the size of an endowment needed to generate \$6,000 annually for a scholarship, the following calculation should be used:

\$6,000 divided by 4.053% divided by .94 = \$157,488

Please remember this is only an estimate. The endowment distribution rate changes each quarter due to the changes in the market value of the endowment investment pool.

Fees

The Foundation charges an annualized one percent investment fee on the endowments. This fee is based on the balance of the pool at the end of each quarter. The purpose of this fee is to defray expenses and support the general charitable purpose of the Foundation. The endowments are also charged the investment manager's fee which was 27.2 basis points or .272% for fiscal year FY10.

The Foundation General Fund incurs the cost of the investment consultant.

The SIU Foundation applies a one-time six percent supplement fee to all gifts of cash and securities. The Foundation uses five percent of the fee to fund central operations and returns one percent to the generating colleges or units to support their specific advancement activities. It is the Foundation's goal to increase private support which will assist the various colleges of the University in providing quality services to its students, alumni, and the communities we serve.

Investment Overview

In recognition of its fiduciary responsibilities, the Southern Illinois University Foundation Board of Directors (the "Board") has, through its Investment Committee (Committee), adopted two investment policy statements. The first statement (the "Endowment Statement") relates to contributions in the form of endowments with long-term benefit objectives, those monies set aside and designated by the Board as quasi-endowments or term endowments, and gift annuities. The second statement (the "Unrestricted Statement") relates to contributions in the form of non-endowed funds. The Endowment/Annuity Pool and the Unrestricted/Restricted Pool are managed according to the State of Illinois' Uniform Management of Institutional Funds Act and in a manner consistent with the investment objectives stated below.

The Board and the Committee recognize the need for the Endowment/Annuity Pool to provide support for Southern Illinois University and its mission over the long term. Accordingly, the endowment statements establish written policies and procedures for the investment of the Foundation's endowment assets and ensure that the future growth of these assets is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment for future generations of students, staff and faculty. Spending will be determined by the Endowment Distribution Policy established by the Executive Committee of the SIU Foundation Board of Directors. (See the Endowment link on the Financial Information page.)

The Endowment Distribution Policy provides for annual distributions based upon a formula approved by the Foundation's Executive Committee. This distribution rate plus inflation will not normally exceed the total return of the fund over the period. A total return basis for calculating spending is permitted by the Uniform Management of Institutional Funds Act, under which guidelines the Foundation is permitted to spend the current yield (interest and dividends earned), and realized and unrealized net appreciation.

The Board and the Committee recognize the need for the Unrestricted/Restricted Pool to support the operations of the Foundation and to provide support for Southern Illinois University and its mission. While shorter-term investment results will be monitored, adherence to a sound investment policy, which balances short-term spending needs with preservation of the "real" (inflation-adjusted) value of assets, is crucial to the long-term success of the Unrestricted/Restricted Pool.

The objectives of both the Endowment/Annuity and the Unrestricted/Restricted Pools shall be defined as follows: absolute, which shall be measured in real (net of inflation) rate-of-return terms and shall have the longest time horizon for measurement; relative, which shall be measured as time-weighted rates of return versus capital market indices; and comparative, which shall be measured as the performance of the investment managers compared with a universe of similar managed funds.

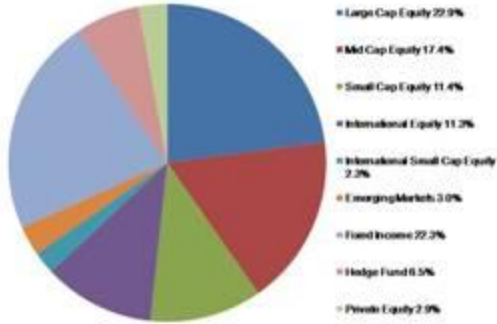
The absolute performance objective of the Endowment/Annuity Pool portfolio is to seek an average total annual real return of spending net of inflation and administrative costs. The intent of this objective is to preserve, over time, the principal value of assets as measured in real, inflation-adjusted terms. The absolute performance objective of the Unrestricted/Restricted Pool portfolio is to keep pace with inflation and investment cost while providing an income stream to the Foundation. These objectives shall be measured over a full market cycle (generally defined as a three to five year period) without exceeding a standard deviation of 1.2 times a weighted benchmark index.

The relative objective of both pools is to seek competitive investments performance versus appropriate capital market measures. This objective shall be measured primarily by comparing investment results to the benchmark index which will be comprised of each asset class index weighted by its target allocation. It is expected that the portfolio will outperform its weighted benchmark index over a full market cycle.

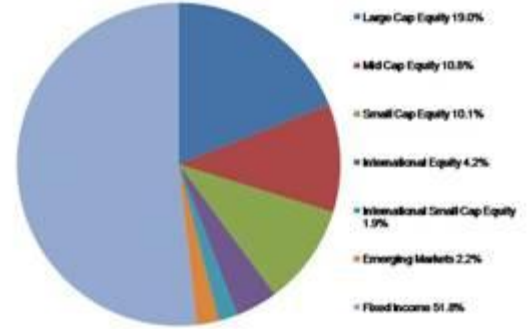
The comparative performance objective of the endowment is to achieve a total rate of return that is above the median performance of the universe of the similarly managed funds.

Investment Asset Allocation

SIU Foundation Endowment/Annuity Allocation as of December 31, 2009



SIU Foundation Unrestricted/Restricted Allocation as of December 31, 2009



SIU Foundation Endowment/Annuity Allocation as of December 31, 2009

Asset Class	Current Weight	Target Weight
Large Cap Equity	22.9%	22.0%
Mid Cap Equity	17.4%	16.0%
Small Cap Equity	11.4%	10.0%
International Equity	11.3%	12.0%
International Small Cap Equity	2.3%	3.0%
Emerging Markets	3.0%	3.0%
Fixed Income	22.3%	14.0%
Hedge Fund	6.5%	10.0%
Private Equity	2.9%	10.0%
Total	100.0%	100.0%

SIU Foundation Unrestricted/Restricted Allocation as of December 31, 2009

Asset Class	Current Weight	Target Weight
Large Cap Equity	19.0%	20.0%
Mid Cap Equity	10.8%	10.0%
Small Cap Equity	10.1%	10.0%
International Equity	4.2%	6.0%
International Small Cap Equity	1.9%	2.0%
Emerging Markets	2.2%	2.0%
Fixed Income	51.8%	50.0%
Total	100.0%	100.0%

Investment Performance

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION - Endowment/Annuity
 Summary of Investment Performance
 Reports for Periods Ending December 31, 2009

	Qtr	FYTD	Annualized			Since Inception	(Date)	Market Value
			1 Yr	3 Yr	5 Yr			
Total Composite	4.8 %	21.5 %	32.8 %	-1.4 %	3.1 %	4.0 %	(7/01)	\$79,581,748
Balanced Index *	3.9	17.3	24.1	-1.1	3.3	4.2		
Domestic Equity								
PIMCO Stocks Plus	7.6	28.9	42.0	-6.2	-	-3.9	(9/06)	9,631,761
S&P 500 Index	6.0	22.6	26.5	-5.6	-	-3.3		
Barclays Alpha Tilts B	5.9	22.1	25.0	-7.1	-	-4.0	(8/06)	3,582,171
S&P 500 Index	6.0	22.6	26.5	-5.6	-	-2.5		
Vanguard 500 Inst'l Index Fund	-	-	-	-	-	-	(12/09)	5,027,267
S&P 500 Index	-	-	-	-	-	-		
Barclays MC Alpha Tilts B	5.5	27.2	37.2	-2.7	-	-0.2	(8/06)	6,940,164
Russell Midcap Index	5.9	27.8	40.5	-4.6	-	-1.5		
Barclays MC Lendable Non-Erisa	5.6	26.6	37.4	-1.6	-	-0.7	(10/06)	6,934,559
Russell Midcap Index	5.9	27.8	40.5	-4.6	-	-3.3		
Kalmar Growth w/Value	3.6	21.6	33.9	-3.4	-	-1.5	(9/06)	3,542,441
Russell 2000 Growth Index	4.1	20.8	34.5	-4.0	-	-1.2		
Russell 2000 Index	3.9	23.9	27.2	-6.1	-	-3.1		
Clover Small Cap Value	3.3	28.4	29.2	-1.9	-	0.3	(9/06)	5,563,662
Russell 2000 Value Index	3.6	27.2	20.6	-8.2	-	-5.1		
Russell 2000 Index	3.9	23.9	27.2	-6.1	-	-3.1		
International Equity								
EuroPacific Growth Fund	3.4	23.6	39.1	-0.5	7.8	9.6	(1/02)	9,021,047
MSCI AC World Free ex-US Index	3.7	24.2	41.4	-3.5	5.8	9.2		
MSCI EAFE Index	2.2	22.1	31.8	-6.0	3.5	7.4		
DFA Int'l Small Cap Value Fund	-2.0	21.9	39.5	-5.7	-	-1.5	(9/06)	1,844,304
MSCI Small Cap EAFE Index	-1.0	20.9	46.8	-7.6	-	-3.8		
DFA Emerging Markets Value Fund	9.0	36.0	92.0	8.7	-	13.8	(9/06)	2,412,463
MSCI Emerging Markets Free Index	8.5	31.2	78.5	5.1	-	10.1		
Fixed Income								
Western Asset Core Plus Fund	3.7	14.5	26.0	5.4	5.0	6.3	(1/02)	2,675,349
Barclays Capital Aggregate Bond Index	0.2	4.0	5.9	6.0	5.0	5.4		
PIMCO Real Return Fund	2.2	7.8	19.0	7.5	-	6.4	(9/06)	1,825,911
Barclays Capital TIPS index	1.8	4.9	11.4	6.7	-	5.7		
PIMCO Investment Grade Corp. Bond Fund	-	-	-	-	-	-0.2	(11/09)	5,172,300
Barclays Capital Corporate Bond Index	-	-	-	-	-	-		
Loomis Sayles Senior Loan Fund	1.7	7.2	37.8	2.0	-	2.3	(10/06)	3,499,475
CSFB Leveraged Loan Index	3.6	14.0	44.9	1.7	-	2.0		
Ridgworth Seix High Yield I	-	-	-	-	-	-	(11/09)	4,370,646
Barclays Capital High Yield Bond Index	-	-	-	-	-	-		
Hedge Funds								
Common Sense Investors Offshore	2.0	6.3	17.3	-	-	-3.2	(10/07)	# 2,797,663
S&P 500 Index	6.0	22.6	26.5	-	-	-12.0		
HFRI Fund of Funds Index	1.5	6.0	11.5	-	-	-6.4		
Federal Street Associates Offshore Fund	2.9	9.7	16.1	-	-	-9.7	(10/07)	2,403,061
CS/Tremont HFI Long/Short Equity	2.4	10.4	19.5	-	-	-2.5		
HFRI Fund of Funds Index	1.5	6.0	11.5	-	-	-6.4		
Private Equity								
Siguler Guff Distressed Opportunities III	5.1	16.7	35.6	-	-	14.6	(3/08)	1,507,296
Northgate Capital IV	-1.1	-1.7	-14.1	-	-	-17.5	(9/08)	830,407

Footnotes:

- * Balanced Index is comprised of: 55.0% Wilshire 5000 Index, 15.0% MSCI AC World Index ex-US, and 30.0% LB Aggregate Bond Index.
- ** Performance returns are net of investment management fees.
- ** Calculated returns may differ from the manager's due to differences in security pricing and/or cash flows.
- ** Manager data represents the most current available at the time of report publication.
- ** Hedge fund market values and rates of return may be based on estimates and may be revised until completion of an annual audit.
- ** The fiscal year ends in June.

SOUTHERN ILLINOIS UNIVERSITY FOUNDATION - Unrestricted/Restricted
Summary of Investment Performance
Reports for Periods Ending December 31, 2009

	Qtr	YTD	Annualized			Since Inception	(Date)
			1 Yr	3 Yr	5 Yr		
Total Composite	4.7 %	19.5 %	31.6 %	1.0 %	3.2 %	4.1 %	(7/01)
Balanced Index *	2.8	13.4	18.8	1.1	3.1	4.3	
Domestic Equity							
PIMCO Stocks Plus	7.6	28.9	42.0	-6.2	-	-5.0	(10/06)
S&P 500 Index	6.0	22.6	26.5	-5.6	-	-4.4	
Barclays Alpha Tilts B	5.9	22.1	24.9	-7.2	-	-6.0	(10/06)
S&P 500 Index	6.0	22.6	26.5	-5.6	-	-4.4	
Barclays MC Alpha Tilts B	5.5	27.2	37.2	-2.7	-	-1.6	(10/06)
Russell Midcap Index	5.9	27.8	40.5	-4.6	-	-3.3	
Barclays MC Lendable Non-Erisa	5.6	26.6	37.4	-1.7	-	-0.8	(10/06)
Russell Midcap Index	5.9	27.8	40.5	-4.6	-	-3.3	
Kalmar Growth w/Value	3.6	21.7	34.0	-4.0	-	-2.2	(9/06)
Russell 2000 Growth Index	4.1	20.8	34.5	-4.0	-	-1.2	
Russell 2000 Index	3.9	23.9	27.2	-6.1	-	-3.1	
Clover Small Cap Value	3.1	27.9	29.1	-1.8	-	0.5	(9/06)
Russell 2000 Value Index	3.6	27.2	20.6	-8.2	-	-5.1	
Russell 2000 Index	3.9	23.9	27.2	-6.1	-	-3.1	
International Equity							
EuroPacific Growth Fund	3.4	23.6	39.1	-0.5	7.8	9.6	(1/02)
MSCI AC World Free ex-US Index	3.7	24.2	41.4	-3.5	5.8	9.2	
MSCI EAFE Index	2.2	22.1	31.8	-6.0	3.5	7.4	
DFA Int'l Small Cap Value Fund	-2.0	21.9	39.5	-5.6	-	-1.4	(9/06)
MSCI Small Cap EAFE Index	-1.0	20.9	46.8	-7.6	-	-3.8	
DFA Emerging Markets Value Fund	9.0	36.0	92.3	8.9	-	14.1	(9/06)
MSCI Emerging Markets Free Index	8.5	31.2	78.5	5.1	-	10.1	
Fixed Income							
Western Asset Core Plus Fund	3.6	14.4	26.0	5.3	5.0	6.3	(1/02)
Barclays Capital Aggregate Bond Index	0.2	4.0	5.9	6.0	5.0	5.4	
PIMCO Real Return Fund	2.2	7.8	19.0	7.5	-	6.6	(10/06)
Barclays Capital TIPS Index	1.8	4.9	11.4	6.7	-	6.0	
Loomis Sayles Senior Loan Fund	1.7	7.2	37.8	2.0	-	2.4	(9/06)
CSFB Leveraged Loan Index	3.6	14.0	44.9	1.7	-	2.2	
Ridgeworth Seix High Yield I	-	-	-	-	-	2.6	(11/09)
Barclays Capital High Yield Bond Index	-	-	-	-	-	3.3	

Footnotes:

- * Balanced Index is comprised of: 40.0% Wilshire 5000 Index, 10.0% MSCI AC World Index ex-US, and 50.0% LB Aggregate Bond Index.
- ** Performance returns are net of investment management fees.
- ** Calculated returns may differ from the manager's due to differences in security pricing and/or cash flows.
- ** Manager data represents the most current available at the time of report publication.
- ** The fiscal year ends in June.