What is an Endowment?

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Overview:
The Southern Illinois University Foundation (Foundation) solicits, holds, and distributes private support for the benefit of Southern Illinois University (University), its students and community.

This document is to assist the fiscal manager in understanding endowments.

What is an endowment?

An endowment is an account that is established when a donor restricts the use of the gift to provide program support in perpetuity.

The program support is provided by transferring a portion of the total return of the account’s investment, the realized and unrealized gains, interest, and dividends to a corresponding current/expendable account which matching donor purpose. The remainder of the return remains invested. By reinvesting a portion of the return, the account’s capital grows, providing future annual support.

Endowment Levels

What is the minimum gift amount that can create an endowment?

$25,000 is the minimum amount required to create an endowment that can participate in the investment pool.

Other Endowment Levels:

- Endowed Chair: $1 million or more
  (Salary supplement and support such as graduate assistants, travel, equipment, etc., to the chair holder)
- Endowed Professorship: $250,000 or more
  (Salary supplement and support such as graduate assistants, travel, equipment, etc., to the holder of the professorship)
- Endowed Visiting Lecturer: $250,000 or more
  (Support to host notable individuals on campus; includes, but is not limited to, stipends for the lecturer, travel expenses, publication costs, etc.)
- Endowed Faculty Fellowship: $100,000 or more
  (Salary supplement and support such as graduate assistants, travel, equipment, etc., to the fellowship recipient)
- Endowed Graduate Fellowships: $50,000 or more
  (Stipend supplements to graduate students)
- Endowed Scholarships: $25,000 or more
(Provides merit, diversity, and need-based scholarships to students)

- 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 being made to the donor.)

**What is done with a donor’s endowment gift when it is received?**

The gift is credited to an account which will be governed within the restrictions the donor designated.

The funds of the gift are then commingled with other funds in the Foundation’s Endowment Pool for investment management purposes so that each account benefits from investment in a larger pool. The endowment pool is a diversified fund comprised of equities, fixed income, commodities, various specialized investments and cash designed to ensure that future growth is sufficient to offset normal inflation plus reasonable spending, thereby preserving the purchasing power of the participant for future generations.

**When are endowments transferred into the investment pool?**

Endowments are transferred into the investment pool on the first day of the quarter following receipt of the gift.

**How does the SIU Foundation ensure that donor intentions are honored now and for generations to come?**

When an endowment account is established, the donor’s restricted purposes for the gift are documented with a gift agreement (Memorandum of Agreement). These agreements are facilitated by a Foundation Development Officer.

The principal gift and accumulated earnings are held in this account for tracking of the historical transactions. Expenditures for program support are made from a corresponding current/expendable account which is monitored for alignment with the donor-designated purpose.

**Who oversees the investment of the Foundation Endowment Pool?**

The SIU Foundation Board of Directors Investment Committee oversees the investment policies.

The investment committee develops asset allocation and procedures for the investment programs. SIU Foundation investment staff administers the program according to these policies.
A professional investment consultant advises the Investment Committee and the Foundation staff on asset allocation and spending reviews, investment guideline reviews, investment manager searches, and performance evaluation.

An outside independent audit firm performs an annual audit of the SIU Foundation that includes a review of the investment function.

**How is the Foundation Endowment invested?**

Since the purpose of the endowment is to provide benefits in perpetuity, the endowment is invested with a long-term perspective. The goal is to earn sufficient total return over time so that two investment goals are met: to provide annual program support in the current year and to provide for reinvestments, over time, at a level so that future annual support keeps pace with inflation.

The Investment Committee follows a standard investment management process. This process includes decisions about the asset allocation for the portfolio, the development of the investment policy, the selection of investment managers, custodians, consultants, and other service providers, the monitoring of managers and service providers, the monitoring of the costs of managing the portfolio, and periodic rebalancing. Foundation staff reviews the process and portfolio performance quarterly. The Investment Committee receives reports quarterly and meets on a quarterly basis.

The investment pool is highly diversified, currently with over 15 investment managers. Prior to selection, an investment manager is subjected to a due diligence process. After selection, the investment manager is monitored and the Investment Committee is informed of changes in management, style and performance.

For more information on the asset allocation and investment performance of the Endowment Pool, go to the Investment Overview area under the Financials tab on the Foundation web site at [www.siuf.org](http://www.siuf.org).

**What is the Endowment Spending Distribution Policy?**

The Spending Distribution Policy is determined by the Executive Committee. They review the investment performance and take into consideration several factors outlined in the State of Illinois’ Uniform Prudent Management Institutional Funds Act.

**Spending Calculation**

The spending distribution calculation is the sum of the previous year’s spending increased by the higher education inflation rate (HEPI) and weighted at eighty percent added to a three year average of the endowment pool’s ending balance as of December 31st multiplied by a fixed spending rate which considers the long-term investment performance estimate of the pool less HEPI and weighted at twenty percent reduced by the 1.5% administrative fee, resulting in a net distribution rate.
Availability of Annual Spending Distribution

The annual spending distribution provides support to the University in accordance with the donor intent. The annual spending payout is available on the first day of each fiscal year (July 1st). However, the department is notified of the pending distribution mid-February. The pending distribution is posted to the endowment account as a segment of the investment assets. It is also posted to the expendable account as a receivable. To assist the fiscal manager, this pending distribution is included on both the Spendable Cash Report and the EM Spending Allocation Report.

Endowment Administration Fee

The Foundation charges an annual 1.5% administrative fee on the endowment funds based on the fund’s December 31st market value. The fee is also allocated on December 31st, and distributed to the Foundation’s General Fund on July 1st. The investment fee supports some of the costs of managing the Foundation endowment, including legal, administrative, financial and reporting obligations. The fee also helps support advocacy and fundraising activities for the benefit of SIU.

What type of report is sent to the donor’s on accounts they have established?

At least annually, the Foundation sends out an Endowment Report to the donor of the account. Anytime there are questions, a donor is encouraged to contact the Foundation.

Further questions please see our contact link:

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