

OKLAHOMA STATE UNIVERSITY FOUNDATION



2009-2010 ENDOWMENT REPORT

ENDOWMENTS BY THE NUMBERS

48%

Chairs & Professorships

35%

Endowed Scholarships

17%

General Program, Research,
Faculty Development, Lectureships
& Multi-purpose Endowments



INTRODUCTION

This report has been prepared to provide information about your endowment fund(s) and the management and performance of the OSU Foundation's Pooled Investment Fund (PIF).

The OSU Foundation Board of Trustees has delegated the investment management of the Pooled Investment Fund to the Investment Committee which operates within the parameters of the Investment Policy Statement.

The Investment Committee seeks investment returns through a diversified investment portfolio consistent with the approved Investment Policy Statement. To achieve its investment objective, the OSU Foundation retains an independent investment consultant to provide ongoing evaluation of economic conditions, review manager performance and provide advice on asset allocation and investment manager selection.

The Board of Trustees has adopted the strategy of investing endowment assets to preserve the long-range purchasing power of the endowments in order to provide intergenerational financial support for the programs the endowments were created to benefit.

POOLED INVESTMENT FUND OVERVIEW

Endowment gifts for the benefit of Oklahoma State University are placed in the Pooled Investment Fund (PIF), which is managed by the OSU Foundation. As of June 30, 2010, the OSU Foundation PIF consisted of 2,176 separate endowments. During FY 2010, \$23.5 million in new endowment gifts were received. The total market value on June 30, 2010, of the endowment accounts was \$350.7 million, which included the chair and professorship accounts and scholarship accounts established through the Pickens Chair and Professorship and Pickens Legacy Scholarship matching programs.

The primary objective of the PIF is to generate an increasing stream of income to meet the rising costs of education, research and campus life while maintaining the purchasing power of its individual endowments over time. The chart on the following page represents the fair market value of the endowment for each fiscal year over a 10-year period.

INVESTMENT PERFORMANCE

The PIF's performance is calculated on a total return basis, which measures the performance of equity, fixed income and alternative investments. Total return, for purposes of this report, is the combination of income, dividends, gains and losses for the fiscal year net of investment management fees. Investment performance is determined on the PIF as a whole rather than on each separate endowment. Depending upon the timing of additions to an individual endowment, returns on specific endowments may vary from the following result.

TOTAL RETURN FOR THE POOLED INVESTMENT FUND

	OSUF	S&P 500
FY 2010	8.7%	14.4%
Five-Year Average	5.4%	-0.8%
Ten-Year Average	4.9%	-1.6%
Fifteen-Year Average	8.4%	6.2%

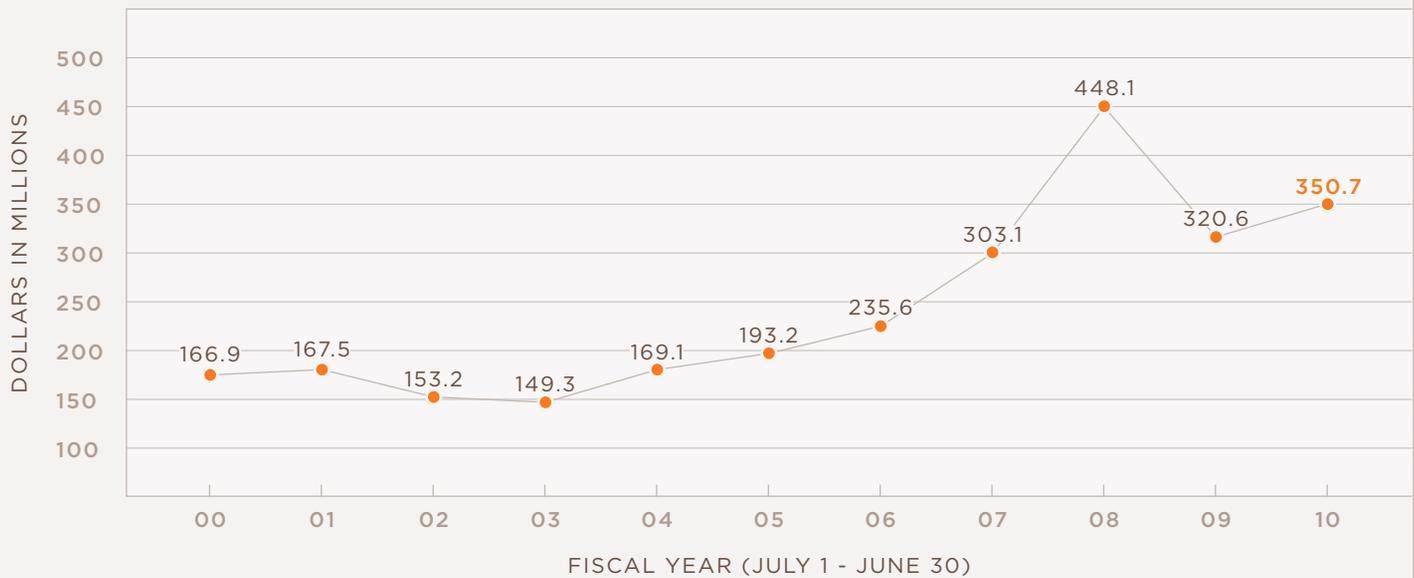
ASSET ALLOCATION AND PORTFOLIO COMPOSITION

The Pooled Investment Fund incorporates a long-term view of the financial markets to determine the appropriate asset allocation guidelines.

On June 30, 2010, the Fund's asset allocation was as follows:

	ACTUAL%	TARGET %	RANGE %
Fixed Income	22	10	10-30
Domestic Equity	21	35	10-40
International Equity	12	10	00-30
Real Assets	5	10	00-30
Hedge	28	15	00-25
Private Equity	12	20	00-40

This asset allocation is intended to provide funds for both spending distribution and for appreciation potential with an acceptable level of related risk. The Investment Committee of the Board of Trustees reviews portfolio composition at least quarterly; and, if deemed necessary, it will direct cash flow or assets to be shifted to bring the portfolio within the target ranges.

TOTAL ENDOWMENT ON JUNE 30, 2010 / **\$350.7M**

GLOSSARY OF TERMS RELATED TO FINANCIAL SUMMARY

Chairs/Professorships

Funds utilized to support the teaching and research efforts of an endowed faculty position

Distribution of Funds

Utilization of cash available that supports the purpose of the endowment

Endowed Gifts During Fiscal Year

Gifts made to your endowment during the fiscal year

Historic Gift Value

The original contribution to your endowment plus previous additional gifts to your endowment

Market Value of Endowment

The fair market value of your endowment at the beginning and end of the fiscal year

Net Investment Income, Gains (Losses)

Realized and unrealized gains and losses after expenses of consulting, custodial and endowment management fees. The latter is the fee paid to the OSU Foundation for management of the Pooled Investment Fund. For FY10 this fee was 2.1% of the average daily balance of the market value of the Pooled Investment Fund.

Other Additions

Additions other than gifts or net investment income to your endowment (i.e. mineral interest, income from real property, and short-term earnings paid on cash balances)

Other Program Support

Funds utilized to support endowed programs other than scholarships/fellowships and chairs/professorships. Examples would be lectureships, research initiatives, building or operational support.

Reinvested Cash

Funds transferred from cash available to your endowment

Scholarship/Fellowships

Funds utilized to support the educational endeavors of a student

Spending Gifts During Fiscal Year

Gifts made to your fund to be used for current spending rather than endowed

Spending Policy Distribution

Funds provided by your endowment for support of OSU during the fiscal year as determined by the Spending Policy. The Policy allows for the use of both realized income and appreciation as components of spending distribution.

Total Cash Available for Spending

Funds available for expenditure resulting from application of the Spending Policy, carryover balances from previous fiscal year(s) or other additions to the fund

Total Historical Gift Value

The summation of all gifts to your endowment

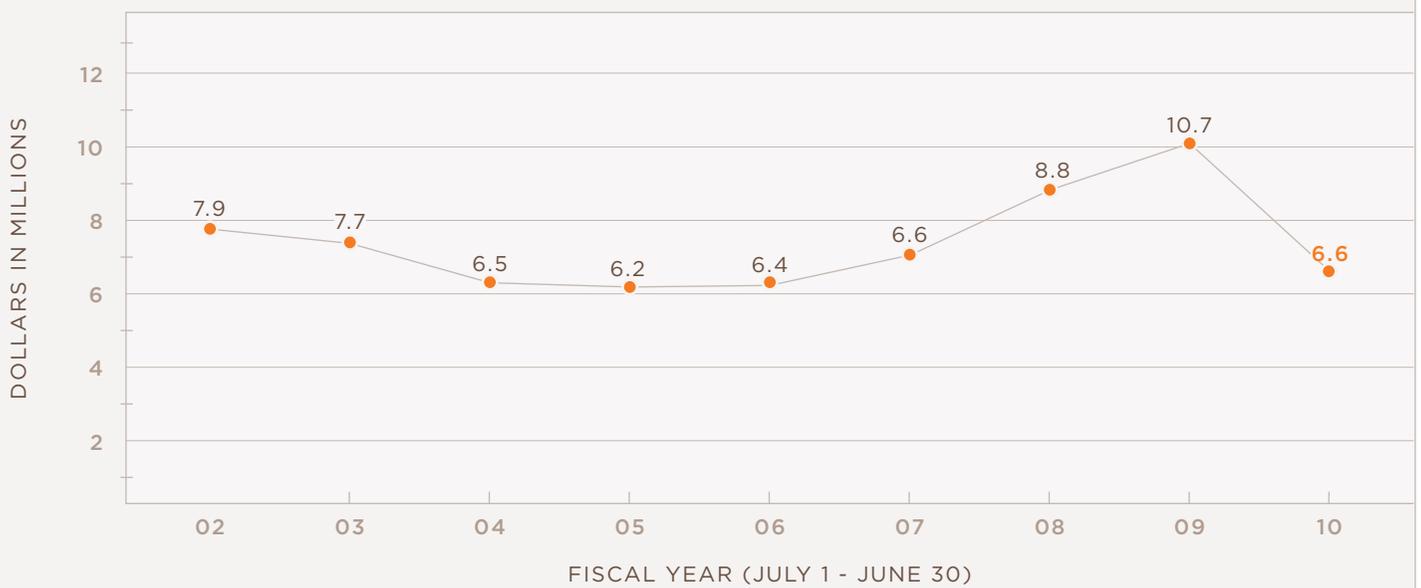
Total Endowment Balance

The sum of the market value of the endowment principal and the cash available for spending

Underwater Accounts

“Underwater endowments” are those where the market value of the endowment is less than its historic dollar value

ENDOWMENT SPENDING DOLLARS AVAILABLE TO OSU



SPENDING POLICY

A goal of the Pooled Investment Fund is to achieve investment performance that supports stable endowment spending from year to year in order to provide steady predictable funding for programs.

The Board of Trustees-approved spending amount is calculated as the prior year's spending amount adjusted by inflation. The adjustment for inflation is made by dividing the Consumer Price Index (CPI) as of November of the current year by the CPI of November of the previous year. The calculated spending amount is adjusted for new gifts or reinvested cash by adding an amount equal to 5 percent of new gifts or reinvested cash received by Dec. 31. The spending policy is reviewed by the Investment Committee at least annually. The committee can and has made annual adjustments to the formula to increase the distribution when exceptional investment performance is achieved. Unless specific donor permission is obtained, no spending is authorized for any endowment account for which the market value as of Dec. 31 of the current year is less than the historic gift value.

The above graph represents the funds available to the university from the Pooled Investment Fund's spending distribution for the nine-year period FY02-FY10. The

reduction in FY10 endowment spending is due to the decision by the donor and/or the University to suspend the endowment distribution from those endowments where the market value of the endowment was less than the historic gift value at December 31, 2009.

PROGRAM SUPPORT

The Pooled Investment Fund supports university programs as designated by the donors. Programs supported by the spending policy distributions include scholarships, fellowships, professorships, chairs, building operations and research activities.

Many important university activities could not be achieved without the financial support from endowment funds. OSU is fortunate to have endowments that support programs system-wide.

CONCLUSION

Endowments provide a permanent partnership between the university and the donor. The legacy of thoughtful donors plays a role in the life of the university in perpetuity, and becomes the foundation upon which OSU can build its achievements. The generosity of Oklahoma State University's many endowment donors is appreciated by generations past, present and future.



OKLAHOMA STATE UNIVERSITY FOUNDATION

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Uniting Donor and University Passions and Priorities to Achieve Excellence