

Horizon Issues: Possibilities and Promise

"Leaders keep their eyes on the horizon not just on the bottom line."

—Warren G. Bennis,
author and business professor

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Carol S. Terry, Executive Secretary to the President

Planned Giving Staff:
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Alice B. Prettyman, Associate Vice President for Planned Giving and Endowment Resources
DeAnna L. May, Associate Vice President for Communications
Ellen S. Caskey, Director of Scholarship and Endowment Services
Elise A. Wickham, Director of Scholarship and Endowment Management
Brenda J. Repass, Assistant to the Vice President for Planned Giving and Endowment Resources
Peggy S. Hensley, Communications Assistant

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Tracy L. Curtis, Associate Vice President for Operations
Kathryn E. Hartman, Staff Accountant
Sunny S. Reed, Senior Financial Clerk
Penny J. Cahoe, Financial Clerk
B. Kathy Poe, Receptionist/Administrative Assistant for Operations
Monica L. Shannon, Financial Clerk
Ann "Kathy" Wehrley, Financial Clerk

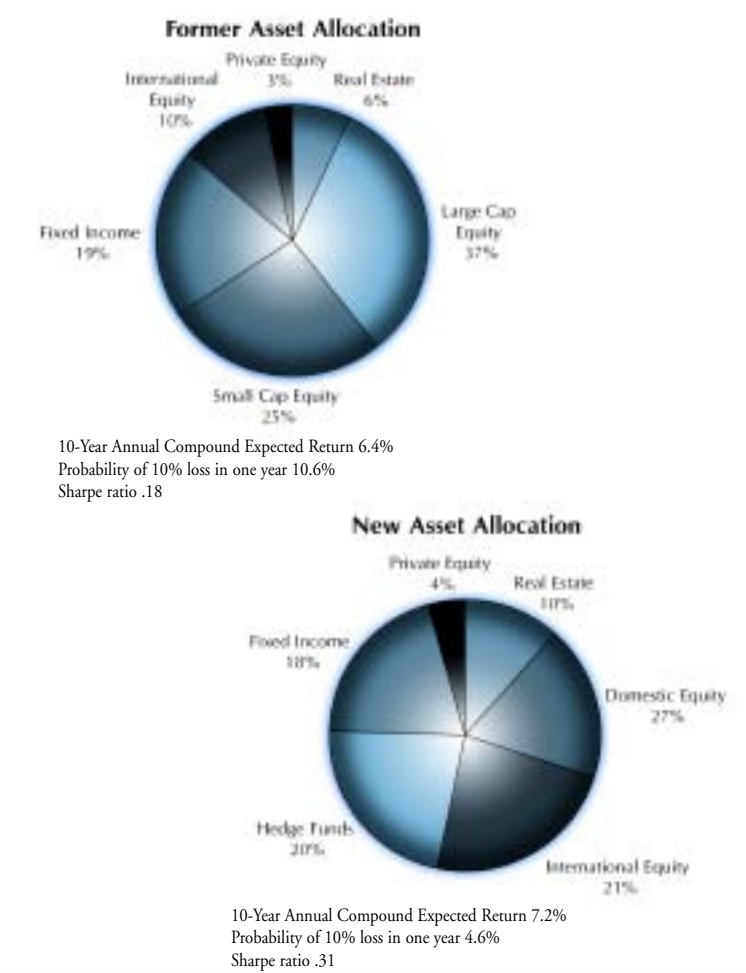
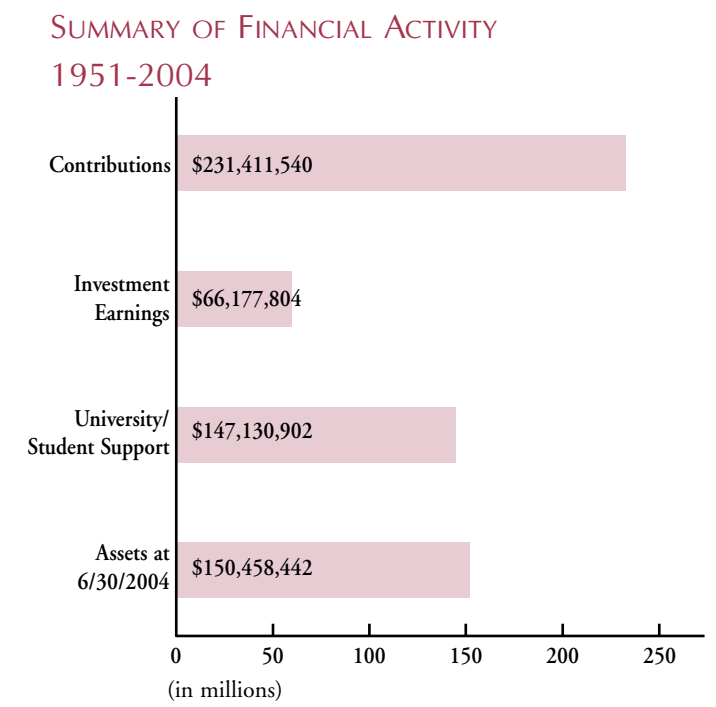
The information presented here, correct at the time of publication, is subject to change. Ball State University practices equal opportunity in education and employment and is strongly and actively committed to diversity within its community. 2375-04 uc

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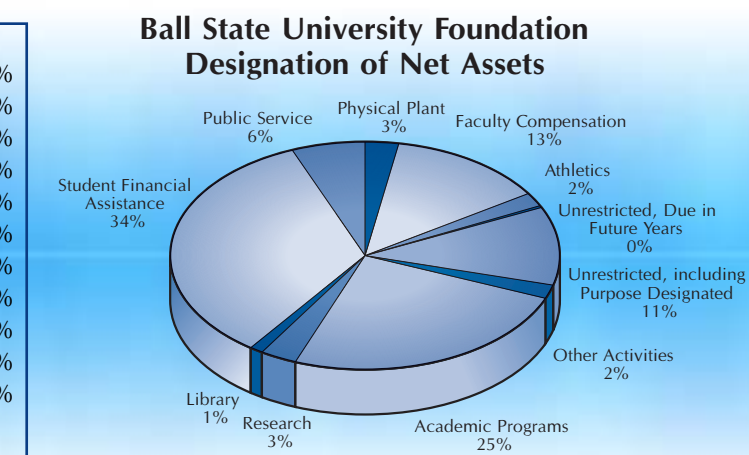
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- * Non-voting members



Designation of Net Assets

Academic programs	34,250,538	25%
Research	3,796,639	3%
Library	1,695,824	1%
Student financial assistance	45,506,488	34%
Public service	7,521,321	6%
Physical plant	4,624,870	3%
Faculty compensation	17,226,822	13%
Athletics	2,165,264	2%
Unrestricted, due in future years	482,225	0%
Unrestricted, including purpose designated	14,794,388	11%
Other activities	2,785,209	2%
TOTAL	134,849,588	



RECORD CONTRIBUTIONS INCREASE ASSETS

Alumni and friends of Ball State University continued their support with gifts and pledges to the foundation of \$31.4 million (accrual basis) during fiscal year 2004. Since its creation in 1951 the foundation has received a total of \$231 million from alumni and friends.

The foundation provided support to the university of \$10.5 million during the year, including scholarships, student recruitment initiatives, faculty support, and athletic programs. Cumulative university support provided since 1951 now totals more than \$147 million.

A record-level of contributions plus a recovering investment climate increased foundation assets to more than \$150 million, while permanently restricted funds designated for endowments grew to \$80.7 million. Of total net assets,

34 percent is designated for scholarships and 25 percent for faculty support. In addition to providing for the financial stability of the foundation and its endowments, unrestricted net assets allow Ball State the flexibility to pursue and support top university priorities. Of the \$15 million in unrestricted net assets, more than \$8 million are designated to supplement various university programs including student recruitment, scholarships, faculty support, and capital projects.

In response to lower return expectations for traditional investments and to take advantage of new opportunities and decrease overall risk, the foundation adopted a new asset allocation. This significantly increases our investment in alternative assets.

REMEMBERING THOSE WHO HAVE TOUCHED OUR LIVES

The foundation board lost two important members in the past year. Both were great leaders and role models who leave behind a legacy of giving, community service, and steadfast commitment to any project they touched.

Virginia Ball was a woman of exceptional generosity, adventure, and vision. Many in the Ball State University community referred to her death in December 2003 at age 84 as "the end of an era."

A strong supporter of the arts and education, Virginia became a foundation board member in 1985, taking the place of her husband Edmund "Ed" Ball, who resigned from the board at that time. Ed, who died in 2000 at age 95, was the son of Edmund B. Ball, one of the five brothers who settled in Muncie in the late 1800s and established a manufacturing empire that eventually became Ball Corporation.

One of her most significant gifts to the university was a donation of \$2 million in 1999 to establish the Virginia B. Ball Center for Creative Inquiry.

John B. Beasley served as a foundation board member from 1968 to 1993, when he moved to emeritus status. He practiced law for more than 50 years at the Muncie law firm of White & Haymond, now Beasley & Gilkinson.

John, who also passed away in December 2003, was deeply committed to his family, clients, friends, and community. He served and supported numerous community activities and at times devoted more than half of his working hours to community projects.

STATEMENT OF ACTIVITIES for the Year Ended June 30, 2004

UNRESTRICTED	2004	2003
Revenue, Gains and Other Support		
Contributions and promotional activities	\$1,270,507	\$2,812,896
Investment income, including net realized and unrealized gains	14,274,917	(76,927)
Operating support fees	795,929	
Net assets released from restrictions	7,167,890	9,336,372
Total revenue, gains, and other support	\$23,509,243	\$12,072,341
Expenses		
University programs, including capital projects	\$10,398,774	8,342,938
Management and general	1,457,194	1,556,082
Fund raising	906,981	2,384,520
Total expenses	12,762,949	12,283,540
Change in Net Assets	\$10,746,294	\$(211,199)

TEMPORARILY RESTRICTED	2004	2003
Revenue, Gains and Other Support		
Contributions	\$8,397,992	\$6,844,056
Investment income, including net realized and unrealized gains	1,828,612	3,169,885
Operating support fees	(184,682)	
Change in value of split-interest agreements and annuities	76,782	160,285
Total revenue, gains, and other support	10,118,704	10,174,226
Net assets released from restrictions	(7,190,160)	(9,543,150)
Change in Net Assets	\$2,928,544	\$631,076

PERMANENTLY RESTRICTED

Contributions	\$21,793,868	\$4,597,827
Investment income, including net realized and unrealized gains	359,616	331,590
Operating support fees	(611,247)	
Change in value of split-interest agreements and annuities	248,406	(135,696)
Total revenue, gains, and other support	21,790,643	4,793,721
Net assets released from restrictions	22,270	206,778
Change in Net Assets	\$21,812,913	\$5,000,499

STATEMENT OF FINANCIAL POSITION

ASSETS	2004	2003
Cash and investments in marketable securities	\$129,427,752	\$89,042,555
Contributions receivable	7,791,538	13,936,148
Beneficial interests in external trusts	7,224,408	6,364,723
Investments in split-interest agreements	3,465,212	3,119,327
Property and equipment	1,663,970	355,959
Other assets	885,562	805,235
Total assets	\$150,458,442	\$113,623,947

LIABILITIES	2004	2003
Accounts payable	\$942,887	\$890,390
University grants payable	1,341,508	
Accrued expenses	330,714	419,254
Bond payable	10,000,000	10,000,000
Annuity and trust obligations	2,993,475	2,952,196
Total liabilities	\$15,608,584	\$14,261,840

NET ASSETS	2004	2003
Unrestricted	\$14,794,388	\$4,048,094
Temporarily restricted	39,278,691	36,350,147
Permanently restricted	80,776,779	58,963,866
Total net assets	134,849,858	99,362,107
Total liabilities and net assets	\$150,458,442	\$113,623,947



An audit for the year ended June 30, 2004, has been performed by BKD LLP, and the report is available upon request.

Horizon Issues: Possibilities and Promise



Richard W. Hutson and David W. Bahlmann

Dear Alumni and Friends of Ball State University:

This has been a milestone year in so many ways for Ball State University and the foundation. At the pinnacle of these achievements is the foundation's new level of financial assets, as well as record level contributions received from alumni and friends.

Achieving more than \$150 million in total assets is a triumph that increases the foundation's capacity to serve the university as never before. Ball State is a vital institution with nationally recognized programs, state-of-the-art facilities, quality faculty and staff, and high student retention rates. Today's foundation has been carefully molded into an organization capable of satisfying the unique needs of a growing university and its sophisticated student body.

This year Ball State set a new record of \$41.3 million (cash basis) for private support received, with more than 85 percent of the funds coming from Ball State graduates. This total is 74 percent higher than the previous single-year record of \$23.8 million (cash basis) set in 2002-2003. Included is the largest single private gift in university history: more than \$17 million dollars from the estate of Wallace T. Miller Jr., which led to the naming of the Miller College of Business. Because of this generosity, Ball State is able to work toward its mission of enhancing its visibility, its resources, and the quality of the student experience.

As you will learn in this annual report, these accomplishments and others allow us to look beyond the current landscape and explore issues that will affect the future of this institution. Addressing these "Horizon Issues" places the foundation at the threshold of great possibilities and promise.

We thank you for your involvement in Ball State University and look forward to your continued support as we move on to even more exciting opportunities.

Richard W. Hutson
Chairman, Board of Directors
Ball State University Foundation

David W. Bahlmann
President and CEO
Ball State University Foundation



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This year, the foundation instituted a new planning concept addressing the following "Horizon Issues." This process evolved from the foundation board's self-study retreat. Board members expressed a desire to focus on topics that will advance the university-foundation partnership capabilities. The board aims to deal with issues that enhance the foundation's capacity to support the university's mission and strategic directives.

Partnership with the University

New Relationships: One of the high points of this year was the naming of the 14th president of Ball State University, Dr. Jo Ann M. Gora, who assumed her duties in August 2004. President Gora's platform includes emphasis on information and instructional technology, community engagement, economic development, interdisciplinary collaboration, and providing students with the best possible education.

When Dr. Gora visited campus in May, she requested time to meet with foundation board members to learn first-hand about the foundation, its structure, and its many activities. She became an official board member of the foundation upon assuming her duties.

With this new leadership, the university and foundation are hard at work reviewing and redrafting their basic working agreement. This agreement will expand the foundation's partnership with the university, in addition to incorporating its independence, personnel policies, and data ownership/security.



Jo Ann M. Gora, President

"President Gora's vision for the university originates from strong partnerships," said David W. Bahlmann, J. D., foundation president and CEO. "She understands the value of the partnership between the university, foundation, and the community and knows how each of these partners supports one another."

Investing in Ball State Students: The foundation is reviewing a proposal from the Miller College of Business to enter into a relationship to form a student investment fund program. Under the supervision of faculty, students would make

New Investment Frontiers: The foundation entered into a new investment consultant

investment decisions and recommendations with a small allocation of foundation dollars. The foundation would invest these funds accordingly, upon final approval of its investment advisors. This would be a win-win opportunity for all involved, said Thomas B. Heck, vice president of operations and board treasurer. "Students will get real experience with real dollars, and the foundation will be supporting activity in higher education that could create a pool of talent we hope to be working with in the future."

Best Practices

Our Moral Code: One of the most important Horizon Issues deals with the consideration of a formal Statement of Values and Code of Ethics. This issue is part of a national effort advanced by the Independent Sector, the Council for Advancement and Support of Education (CASE), and the Association of Governing Boards of Universities and Colleges (AGB). "This document will be built on a foundation of widely shared values that have always been in place for this organization," said Richard W. Hutson, foundation board chairman. "These important values include fiscal responsibility, accountability and commitment to the public, and responsible stewardship." The foundation board's Strategic Planning Task Force will consider this document as part of a new strategic plan adopted for 2005-2006.

New Investment Frontiers: The foundation entered into a new investment consultant

relationship with St. Louis-based Hammond Associates and adopted its recommendation of moving to a new and expanded investment asset allocation. An orderly process of moving toward new allocations was adopted, which significantly alters the foundation's current asset allocation, diversifies its assets, and broadens the managers of those assets. The charts (See financial information page.) provide a comparison of the former asset allocation and the new asset allocation adopted by the foundation board.

Transition of Board: Due to term limits, there will be a significant turnover of foundation board members in the next three to four years. The foundation is proactively seeking top people to fill those vacancies. "We are looking at individuals with elite skills in areas of business, finance, world-wide management, and fund raising," said Jan Abbs, chairperson of the Committee on Directors. "We have a diverse alumni base from which to draw, and we intend to actively engage these individuals in the workings of the foundation."

New Business Model Revisited: Fiscal year 2004 has been a dramatic period for both investment returns and contributions, and we continue to see the effects of the foundation's



- The foundation provided \$375,000 in funding for the construction of permanent lighting for the football stadium. The university has received pledges of \$150,000 from several donors payable through 2009, plus a \$100,000 commitment from Cardinal Varsity Club. A surcharge on football tickets will complete funding for the project.
- The foundation's Philanthropy Advisory Council (PAC) celebrated its 20th anniversary. This network of professional advisors—attorneys, accountants, financial planners, insurance professionals, and staff of community and private foundations—attend an annual meeting on campus and receive current information on the variety and advantages of philanthropic plans available for their clients. Many of these professional advisors are Ball State alumni and friends.

new business model adopted in 2003. This model was created to fulfill the objectives of enhancing the foundation's financial stability while providing better long-term support for endowment funds. The business model continues to be refined as the foundation's Operations and Finance Committee strives to position the foundation to be less dependent on any one source of income.

Board Development and Diversification

Transition of Board: Due to term limits, there will be a significant turnover of foundation board members in the next three to four years. The foundation is proactively seeking top people to fill those vacancies. "We are looking at individuals with elite skills in areas of business, finance, world-wide management, and fund raising," said Jan Abbs, chairperson of the Committee on Directors. "We have a diverse alumni base from which to draw, and we intend to actively engage these individuals in the workings of the foundation."

Planned and Endowment Giving

Program Enhancements: A Planned and Endowment Giving Committee was implemented this year to provide advice on the establishment of new policies and procedures, stewardship, gift administration, and communication issues. "The mission of this new committee is to promote, support, and enhance the planned and endowment giving program on behalf of the foundation and its donors," said Mark A. Ervin, chairman of the new committee. Specific issues the group will be tackling include the establishment of a donor-advised fund program, implementation of the foundation's Stable Value and Legacy Fund policies, an audit of planned and endowment giving stewardship, and improving communications with donors through individual correspondence, print materials, and the foundation's Web site.

Endowments

Endowments enable Ball State University alumni and friends to support the priorities of the university today and in the future. Unlike annual donations, gifts for endowments are retained and invested to provide ongoing support for educational purposes on behalf of the university. Endowment funds may be named in honor or memory of donors or loved ones.

In the same way that the efforts of individual students, professors, and administrators join to create the Ball State experience, the financial resources from endowment funds combine to accomplish much more for the university than any one gift could accomplish alone.

Endowment Fund Policies

Stable Value Funds: Contributions to Stable Value Fund endowments establish a fund balance. A percentage (spending rate) of the fund balance, as determined by the foundation's board of directors, is paid each year as a spendable amount for the purpose(s) designated by the donor. The fund does not participate in gains or losses in the foundation's investment portfolio over time. The donor may choose to reinvest a certain percentage of the annual fund balance back into the fund for long-term growth. In addition to providing the spendable amount for the support of the designated purpose(s), investment earnings on gifts may be spent on board-approved priority needs of Ball State University, which may include fund administration expenses. No administrative fee is charged to the fund balance of a Stable Value Fund. Currently, a minimum contribution of \$25,000 is required to establish a Stable Value Fund endowment.

Legacy Funds: Contributions to Legacy Funds form a fund balance that participates in the earnings, gains, and losses of the foundation's investment portfolio on a total return basis. Each year, a percentage (spending rate) of the fund balance, determined by the foundation's board of directors, is available for support of the purpose(s) designated by the donor. Any unspent money is retained in the fund to allow for long-term growth. Administrative fees (currently 1.5 percent) are annually assessed as a percentage of the current market value of the fund balance. Presently, a minimum gift of \$50,000 is required to establish a Legacy Fund endowment.

New endowment funds established in Fiscal Year 2003-2004

Legacy Fund Endowments

Ann D. (Reutebuch) Ballinger Scholarship
H. H. Gregg Legacy Endowment
Harold and Isabella Legg Memorial Scholarship
Miller College of Business Endowment
Alex and Anna I. Nicoloff Scholarship Fund for Environmental Studies
Jennifer Strother Scholarship
Ruth E. Study Scholarship

Joseph W. and Marcella S. Hollis Endowment Fund
Indianapolis Club of Printing House Craftsman Scholarship
Honorable Raymond O. and Joyce J. (Unger) Kellam Scholarship
Nancy J. Mannies Memorial Scholarship
Dr. William H. Middleton Scholarship
Phyllis A. Miller Professorship
Charles O. Mortensen Fellowship
Mary and George Sissel Scholarship
J. Smith Scholarship
L. Harper Whitcraft Fund

Stable Value Endowments

Douglas D. Amman Choral Scholarship
Leslie and Patrick Ballard Scholarship
Gilbert L. Bloom Theatre Scholarship
Colonel William and Lucille Head Bright Accounting Scholarship
Thomas Edward Dale Scholarship for the Benefit of Burriss
H. H. Gregg Endowment

University Scholars Endowments

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 a scholarship as named by the donor with an

opportunity for the donor to meet the student at an awards banquet.

Gerry and Rosalyn Isch Scholarship
Lillian Rasmus Scholarship
Smith and Gentry Scholarship



Nancy and Robert Linson view the new "Tradition of Beneficence" donor recognition plaques in the Alumni Center.

A REMARKABLE YEAR FOR UNIVERSITY ADVANCEMENT AND THE FOUNDATION

- Investment returns for fiscal year 2004 reached more than 19 percent.
- The foundation provided funding for 1,100 scholarships for Ball State students.
- More than 30 new scholarship endowments and expendable scholarships were established, and contributions to new and existing scholarships totaled \$2.5 million.
- Since 1951, donors have notified us of 713 planned gifts established for the benefit of Ball State. Cumulative dollars realized from matured planned gifts from 1951 to 2004 total \$50,770,121.
- Unrestricted gifts to the Ball State Fund exceeded \$1.4 million, which is double the average annual total for the last six years.

- Total gifts expected from estates in future years are valued at more than \$55 million.
- Gifts received from estates this year totaled more than \$20 million.
- Private support to intercollegiate athletics rose, with the Cardinal Varsity Club increasing its annual support for the athletics budget by 11 percent, as well as pledging \$500,000 to the football stadium renovation and expansion project.
- Fund-raising campaigns were conducted for each of the university's seven academic colleges with first-time contributors increasing by 200 percent over last year. The total number of alumni contributing to their college increased by more than ten percent.