

MEMORANDUM

DATE: November 21, 2006, revised May 2008, revised February 2015, revised September 2016, revised September 2017

TO: Financial Services Website – Trust Funds Section – Internal Transfers

FROM: Trust funds Operations Committee

RE: **Internal Transfer Rules- Application and Interpretation**

According to the *Operational Policy and Procedures for Trust and Endowed Fund Management* (Section 1 under Internally Restricted Endowment Funds), operating funds from the budget allocation framework cannot be transferred into trust funds. This restriction exists for two reasons: first, internal funds cannot meet the criteria of “externally restricted” if they have come into the University as unrestricted funds; and, second, surplus operating or research funds should remain in the original accounts to cover subsequent shortfalls. During a 2004 Internal Audit several internal transfers were identified, and investigated. After investigation, TFOC has written the following interpretation to assist Trust Fund Administrators in the application of this rule. These are four circumstances when internal transfers are permitted:

- Signed gift agreements which have provisions that require matching operating or other internal funds be contributed to the Trust (*Capital Match use account 370050 in fund 75, expendable match use account 480770 in fund 77*).
- Memorial Donations from departments may be transferred to a trust from operating to a maximum of \$1,000. (*Use account 480700 in fund 77 and offsetting fund*).
- Monies that have been received as broadly-designated donations to a faculty/department can be transferred to a trust fund consistent with the original intent. Please send details, including the journal entry number to petrykss@mcmaster.ca (*Use account 450000 in fund 77 and use account 480001 in offsetting fund*). (Under generally accepted accounting principles, if these trust funds become ‘material’, they will need to be noted as ‘internally restricted’, or reclassified under Internally Restricted Endowments. The Financial Analyst, Trust Funds will track the total balance of such funds for review with the auditors at year end to identify if additional disclosure is required.)
- Monies from external proceeds of an event (eg. golf tournament) or sale of goods (eg. Book sale, royalties); where the persons participating in the event or purchasing the goods, were advised that the event would be for a specific fund or purpose. In these cases a spreadsheet indicating the breakdown of the funds, which ties to the original receipts or other evidence, is required to be sent to the Financial Analyst, Trust Funds before being transferred to a trust fund. The donors must be advised ahead of time of the designation of these funds and whether the funds are intended to be permanently endowed or expendable. The departments must also follow the Support of Fundraising activities policy in the running of their event. (*If a non-expendable gift, use account 370005 in fund 75. If an expendable gift, use account 450000 in fund 77 and use account 480001 in offsetting fund*).
- Any other requested transfers should be sent to the Financial Analyst, Trust Funds at petrykss@mcmaster.ca before being transferred to a trust fund. These will require approval by the Trust Fund Management Committee (TFMC), and should the request be over \$50,000., TFMC will require President’s and Vice President’s (PVP) approval.

N.B.

Transfers of monies from an external source (bullet #4 above) must be reviewed by the Trust Fund Operations Committee. It is the responsibility of the individual making the transfer to submit documentation to the Trust Funds Financial Analyst, Samantha Petryk, in Financial Affairs.