What's New in Trust Funds

Annual Trust Fund Information Session
Presented by TFOC

February 14, 2018

Agenda

- Welcome / Introduction Nancy Gray
- Annual Cycle of a Trust Fund Claudia Russell
- Trust Fund Policies Greatest Hits Ryan Liddell
- Mosaic Quick Tips Sally Ramsammy
- New Spending Criteria Report Sam Petryk
- Market Update Steven Moore
- Questions
Trust Fund Policies

- Two key policies related to trust funds at McMaster:
  - Operational Policy and Procedures for Trust and Endowed Fund Management
  - Expenditure Policy: General Trust Funds (Externally Restricted Endowments)
- Both policies accessible on the Financial Affairs website:

Trust Fund Operational Policy

- Includes helpful definitions
  - Types of trust funds (e.g. general perpetual, general long-term, spend down trust)
  - Components of trust funds (e.g. non-expendable, expendable, preservation of capital)
Trust Fund Operational Policy

- Lists general rules for trust funds, such as:
  - All donations to trust funds are processed through University Advancement.
  - Reference to other policies (e.g. naming policy, investment policy)
  - Guidelines for disbursement
  - Restriction on operating money being deposited to trust funds

Trust Fund Operational Policy

- Other important sections:
  - Purposes for trust funds (e.g. aid and awards, chairs/professorships, other)
  - Criteria to open a trust fund
  - Annual attestation
  - Roles and responsibilities of departments/staff that deal with trust funds
Trust Fund Operational Policy

- Outlines the roles and responsibilities of
  - The Trust Funds Management Committee (TFMC)
  - The Trust Funds Operations Committee (TFOC)

Expenditure Policy

- Describes how the University manages its endowments from a financial perspective
- Explains the annual 4% spending allocation for endowments
  - Goal to maintain an even hand between current and prospective beneficiaries
  - Amounts allocated for spending in the subsequent fiscal year will be 4% of the monthly average market value of the original donation plus preservation of capital for the last five calendar years, or the period in existence, whichever is less.
Expenditure Policy

- Some exceptions to 4% spending allocation. For example:
  - Special policy override ("underwater" years)
  - Trust funds created in current or prior calendar year
  - Large donations made in increments
Reading your nVision Trust Dept Summary Report
Expendable Columns

<table>
<thead>
<tr>
<th>Carried Forward May</th>
<th>Expendable Donations</th>
<th>Expendable External Match</th>
<th>Expendable Internal Match</th>
<th>Subtotal - Expendable Funds Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/2010, 2/2009, 2/08, 2/09, 3/09, 3/08</td>
<td>7,251.63</td>
<td>1,925.33</td>
<td>0.00</td>
<td>2,630.00</td>
</tr>
</tbody>
</table>

Expendable (Fund Code 70 & 71 - FAS 7 side)

Annual 4% spending allocation (transferred from fund 75)

Working capital interest for current fiscal year (For spend down trusts - total investment income)

Spending allocation + investment income

Total expendable funds rec’d + subtotal interest (expendable balance before expenses/ transfers)
Reading your nVision Trust Dept Summary Report

Expendable Columns

<table>
<thead>
<tr>
<th>X</th>
<th>Y</th>
<th>Z</th>
<th>AA</th>
<th>AB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalized Interest</td>
<td>Current Year Payments - All Expense Accounts</td>
<td>Transfers to other Funds</td>
<td>Subtotal Expenses</td>
<td>Total Expendable</td>
</tr>
<tr>
<td>0.00</td>
<td>-161,398.01</td>
<td>-5,000.00</td>
<td>-3,100.01</td>
<td>0,000,289.36</td>
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</tbody>
</table>

Expendable Columns

Non-Expendable Columns

<table>
<thead>
<tr>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Expendable Donations 370005, 370010, 370020, 370030</td>
<td>Non-Expendable External Match 370005, 370015, 370025</td>
<td>Non-Expendable Internal Match 370050</td>
<td>Non-Expendable Capitalized Interest 370069</td>
<td>Subtotal - Non-Expendable Capital Balance</td>
</tr>
<tr>
<td>67,000.00</td>
<td>26,000.00</td>
<td>0.00</td>
<td>0.00</td>
<td>50,000.00</td>
</tr>
</tbody>
</table>

Endowed donations received to date

To date
GL Activity Query with Drill Down

Running the Query

- Finance – General Ledger – GL Workcenter, Reports/Queries tab

**MCM_GL_ACTIVITY_V8 - GL Activity Inquiry with Drill**

<table>
<thead>
<tr>
<th>Unit</th>
<th>Year</th>
<th>From Period</th>
<th>To Period</th>
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</thead>
<tbody>
<tr>
<td>MACO1</td>
<td>2018</td>
<td>1</td>
<td>12</td>
</tr>
</tbody>
</table>

**Tips:**

- If you are looking at expense activity only, enter fund as 77 to simplify results
- To period 12 of current fiscal year will give you activity to date
- If you get an error message, try clearing your cache/browser history and rerunning

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### GL Activity Query with Drill Down

#### Query Results

<table>
<thead>
<tr>
<th>Unit</th>
<th>Year</th>
<th>Period</th>
<th>Date</th>
<th>Journal ID</th>
<th>Account</th>
<th>Dept</th>
<th>Fund</th>
<th>Program</th>
<th>Project</th>
<th>Amount</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>MACO1</td>
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<td>10034</td>
<td>77</td>
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<td>5000.010</td>
<td>Student Admin/Student Financials</td>
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</tr>
<tr>
<td>MACO1</td>
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<td>0000125841</td>
<td>480760</td>
<td>10034</td>
<td>77</td>
<td>10791168</td>
<td>-5.490</td>
<td>To distribute working capital</td>
<td></td>
</tr>
<tr>
<td>MACO1</td>
<td>2018</td>
<td>2</td>
<td>06/16/2017</td>
<td>0000217554</td>
<td>480760</td>
<td>10034</td>
<td>77</td>
<td>10791168</td>
<td>-5.490</td>
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<td></td>
</tr>
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<td>07/05/2017</td>
<td>0000220418</td>
<td>480760</td>
<td>10034</td>
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<td>To distribute annual allocato</td>
<td></td>
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<td>-9.361</td>
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<td>11/20/2017</td>
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<td>10791168</td>
<td>-9.361</td>
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<td></td>
</tr>
<tr>
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<td>12/14/2017</td>
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<td>10791168</td>
<td>-9.361</td>
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<td>10791168</td>
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</table>

**Line Decor**

- RUSSOM
- SFA

**User**

- SFA

**Source**

- SFA

**Loan**

- SFA

**AP Link**

- SFA

**Exp Rep Link**

- SFA

**Last Updated**

- SFA

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Click here to go to the journal entry detail

Click here to go to voucher detail

Click here to go to expense report

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**BRIGHTER WORLD | mcmaster.ca**
GL Activity Query with Drill Down
Downloading to Excel

Click here to download query results to Excel. All of the links to Mosaic will still work!

<table>
<thead>
<tr>
<th>View Assistant</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Unit</th>
<th>Year</th>
<th>Period</th>
<th>Date</th>
<th>Journal ID</th>
<th>Account</th>
<th>Dept</th>
<th>Fund</th>
<th>Program</th>
<th>Project</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
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<td>1</td>
<td>05/06/2017</td>
<td>SFA0210423</td>
<td>710505</td>
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<td>MAC01</td>
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<td>-5.490</td>
<td>To distribute working capital</td>
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<tr>
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<td>2018</td>
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<td>77</td>
<td>10079168</td>
<td></td>
<td>-5.490</td>
<td>To distribute working capital</td>
</tr>
</tbody>
</table>

Spending Criteria Report
What is Spending Criteria?

- Explains how the donations received are to be spent according to the gift agreement.
- Provides a quick reference statement for administrators when they are reviewing trust funds for upcoming awards/expenditures.
- For internal use only.

What is Included in the Spending Criteria?

- Most commonly found in spending criteria:
  - # of awards annually
  - Value of awards (or ‘Initial value’)
  - Total amt to be disbursed annually
  - # of years / range of years
- Can include other details regarding spending agreed upon in the gift documentation.
What if There is No Spending Criteria?

- Often the case with general perpetual (endowed) trust funds, non-award trust funds
- If the gift documentation does not specify details regarding expenditures/award amounts, spending criteria is “N/A”
- N/A = No spending criteria. Spend at the discretion of the Trust Fund Administrator.

Spending Criteria Report Objectives

- Prevent over/under spending of trust funds
  - Trust law
  - Donor relations
  - Accounting corrections to the project
- Provide administrators with the information they need to spend according to the gift documentation in 1 simplified report
Examples of Spending Criteria

I. THE GIFT

has generously made a Gift of $25,000 to McMaster University (hereafter the “Gift”). This Gift will be provided in the form of cash according to the following schedule:

- $2,500 in January 2014
- $2,500 in January 2015
- $2,500 in January 2016
- $2,500 in January 2017
- $2,500 in January 2018

II. PURPOSE

The purpose of the Gift is to establish the [Scholarship in Commerce] at McMaster University. Pending the approval of the Undergraduate Council Awards Committee at McMaster University, the terms of reference for the scholarship will be as follows:

Established in 2013 by [Person/Entity]
To be awarded to a student in a Commerce program with high academic achievement and who, in the judgment of an Awards Selection Committee, has volunteer involvement in the community-at-large. Preference will be given to students who have volunteered in Hamilton-Halton Region.

Not open to students in their graduating year.

Value: $2,500

- Spending criteria = 1 award at $2,500 annually from 2014/15 to 2018/19

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Examples of Spending Criteria

I. THE GIFT

has generously made a Gift of $25,000 to McMaster University (hereafter the “Gift”). This Gift will be provided in the form of a cheque by March 31, 2012.

II. PURPOSE

The purpose of the Gift is to establish the [Academic Grant]. Pending the approval of The Undergraduate Council Awards Committee at McMaster University, the terms of reference for the academic grant will be as follows:

Established in 2012 by [Person/Entity]
To be awarded to a student entering the Commerce program as a full-time student in the DeGroote School of Business with a high final admission average and demonstrates financial need. The grant is tenable for up to four years provided the recipient remains a full-time student and maintains a minimum Sessional Average of 9.5.

Awarded every four years.
Value: $8,000 ($2,000/year)

- Spending criteria = 1 award of $8,000 every 4 years. Award disbursed at $2,000 annually.
Examples of Spending Criteria

I. THE GIFT

have generously made a gift of $65,000 to McMaster University (hereinafter the “Gift”). This Gift will be provided in the form of cash and/or securities according to the following schedule:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2017</td>
<td>$25,000</td>
</tr>
<tr>
<td>September 30, 2018</td>
<td>$10,000</td>
</tr>
<tr>
<td>September 30, 2019</td>
<td>$10,000</td>
</tr>
<tr>
<td>September 30, 2020</td>
<td>$10,000</td>
</tr>
<tr>
<td>September 30, 2021</td>
<td>$10,000</td>
</tr>
</tbody>
</table>

II. THE PURPOSE

The purpose of the Gift is to establish the [Fund Name] Fund for Concussion Research. Pending the approval of the [note: approval details not visible], the terms of reference for the fund will be as follows:

Established in 2017 by [note: details not visible]. To be used for development and discoveries of advances in the treatment and prevention of concussions. Expenditures from the Fund will be guided at the discretion of the [note: discretionary details not visible].

Spending criteria = N/A

Spending Criteria Process for New Trust Funds

1. UA creates a spending criteria based on the gift documentation
2. Spending Criteria is stated in Claudia Russell’s “Request to Open Fund” email & gift documentation cover memo
3. Spending Criteria is included in administrator’s new trust fund application
4. Financial Analyst, Trust Funds, inputs Spending Criteria into Project Costing Approval tab during the process of opening the project
Signed Gift Agreement

I. THE GIFT

The Donor has generously made a gift of $5,000 (CAN) to McMaster University (hereinafter the "GIFT"). This Gift/Grant will be provided in the form of cash according to the following schedule:

- $1,000 (CAN) December 2017
- $2,000 (CAN) December 2018
- $2,000 (CAN) December 2019

II. THE PURPOSE

The purpose of the Gift is to establish The [Name of Gift] MBA Academic Grant. Pending the approval of Graduate Council at McMaster University, the terms of reference for the award will be as follows:

Established in 2017 by [Name], MBA (Class of ’63), in memory of her mother, [Name], London, who was an outstanding educator and understood the importance of education as well as hard work to succeed in life. To be awarded to students entering a full-time MBA program who demonstrate financial need and high academic achievement. Preference will be given to students who have demonstrated leadership in undergraduate studies or in the community at large.

Note: One award of $1,000 to be granted annually for five years.

Sample Gift Documentation

Memo

To: Roger Coudrey, Vice-President, Administration (original copy of Gift Agreement)
   Sally Ramassamy, Director of Finance, School of Graduate Studies
   Lisa Barty, Manager (Academic) MBA, DeGroote School of Business
   Senior Advancement Analyst, University Advancement
   Samantha Petry, Financial Analyst, Financial Services

From: Claudia Russell, Senior Development Officer, Office of Stewardship & Donor Relations

Date: January 9, 2018

Re: Signed Gift Agreement for the establishment of The [Name of Gift] MBA Academic Grant

Please find attached a signed Gift Agreement for a pledge of $5,000 from [Name] to establish The [Name of Gift] MBA Academic Grant. This gift will be received as per the pledge schedule. A first payment was received in December 2017.

A specific trust fund should be opened with Sally Ramassamy as administrator.

Spending Criteria: One award of $1,000 to be granted annually for five years 2018-2022

Should you have any questions regarding the attached please feel free to contact me at ext. 27984.

Thank you,

Claudia
Spending Criteria in New Trust Fund Application

If you have questions/comments about the spending criteria inputted for your trust funds, contact Claudia Russell or Sam Petryk.
Spending Criteria Report Content

1. Current year’s spending allocation
2. Current year’s total expenses
3. Total expendable balance
4. Project type
5. Designation code (i.e. purpose of the trust fund)
6. Administrator dept
7. Status
8. Date opened
9. Matched fund code (matching sources, if applicable)
10. Spending criteria
11. Project terms

Running the Spending Criteria Report

- The first time running the report, go to “Add a New Value”. Run Control ID = name for the report (e.g. SPENDING_CRITERIA)
- Click Add
- Report ID will begin with PCSC_dept (e.g. (PCSC_SFAS). Type in PCSC_ and click magnifying glass to search for your dept.
- Can be run as of any date
Running the Spending Criteria Report

Running the Spending Criteria Report
Running the Spending Criteria Report

- Go to Report Manager, Administration tab to download your report. Click Refresh if you do not see your report there – it will take a few minutes to generate.

Demo & walk through report
Spending Criteria Report Takeaways

- Spending criteria mirrors signed gift documentation and terms of the trust fund
- Simplified version of nVision Dept Report with addition of spending criteria & trust fund terms
- Include the spending criteria in all new trust fund applications (in the More Info box)
- For questions/comments about spending criteria, contact Sam Petryk or Claudia Russell

Questions?