McMaster University recognizes and acknowledges that it is located on the traditional territories of the Mississauga and Haudenosaunee nations, and within the lands protected by the “Dish With One Spoon” wampum agreement.
Agenda

- Welcome
- Planned Giving and Bequests
- Spending Criteria
- Inactive Trust Funds
- The Change memo process
- Trust Fund Summary Chart
- Policy/Process updates
- Market Update

Lou Mitton
Paul Grossman, Melanie Garnish
Tracie Long, Alicia Jack
Khalid Wahoush
Steven Moore
BEQUESTS – WHAT ARE THEY?

- A bequest is the act of giving stocks, bonds, cash, etc. to individuals or organizations through a will or estate plan.

Types of bequests

- McMaster’s most recognized bequest: In 1887, Senator William McMaster left a bequest of approximately $900,000 in his will to establish McMaster University.
- After the donor passes away, the bequest is “realized” once the estate has been established.
- What was once a sensitive conversation, is now an opportunity to give and connect.
- Donors are realizing the benefit of providing bequests rather than immediate cash.
Confirming a Bequest – How much do they contribute in overall revenue

- **Confirmed Bequests**
  - 2018: confirmed 35 bequests totalling over $15 million
  - 2019: confirmed nearly 50 bequests totalling approximately $116 million, which includes the $100M gift from The Juravinski Foundation

- **Estates (realized)**
  - 2018: 31 realized estates totalling nearly $3.2 million
  - 2019: 39 realized estates totalling over $4.3 million
  - 5-year average: 34.4 realized estates for $2.8 million

- McMaster only sees the gift once the donor is deceased, but counts bequests from the time they are confirmed by the donor to the fundraiser
Who leaves bequest & Where do they leave it?

- Who leaves a bequest? 47% Alumni vs. 53% Non-Alumni

- Donor Bequest Giving Distribution:
  - Student Support – 36%
  - Museum of Art & Community – 23%
  - Research – 13%
  - Academic Support – 12%
  - University’s Greatest Need – 7%
  - Libraries – 6%
  - Athletics – 3%
How does it work?

- Bequests are considered confirmed only after the donor has been contacted directly by a University Advancement staff member.
- McMaster must be included in their will. Simply intending to include the University is not a confirmed bequest.
- Donors can choose where their giving is designated and make their bequests anonymous or recognized.
- Does it require a discount? If the donor is under the age of 70 and their bequest commitment has a specific monetary value, their confirmed bequest requires a discounted rate.
- University Advancement uses a specific life expectancy calculation to determine a donor’s present bequest value.
- Bequests are not realized until the donor passes away and their estate is distributed.
Spending Criteria
What are Spending Criteria?

- Explains how donations received are to be spent according to the gift agreement and university policies
- Provides a quick reference statement for administrators when reviewing trust funds for upcoming awards/expenditures
- For internal use only
What is included in the Spending Criteria?

- The total amount to be disbursed annually
- The number of years / range of years
- The fixed value of an award (maximum award/expenditure or minimum award/expenditure)
- The number of awards annually
- The treatment of balances remaining (i.e. 1 award of $1000 for 3 years, then spend at discretion of administrator)

Example:
1 award of $1000 annually from 2019/2020 – 2023-2024
Examples of Spending Criteria

Specific trust funds should **ALWAYS** have a spending criteria.
General perpetual trust funds should have a spending criteria of ‘Spend at discretion of administrator in accordance with University policy and procedures’
Spending Criteria in Project Costing (Mosaic)

- Finance > Project Costing > Project Definitions > General Information

![Image of Mosaic software interface with a highlighted long description: 1 award of $1,000 granted annually from 2018-22]
Spending Criteria Report

- Simplified nVision report

<table>
<thead>
<tr>
<th>Trust Project #</th>
<th>Trust Project Name</th>
<th>Spending Allocation</th>
<th>Current Year Payments - All Expense Accounts</th>
<th>Total Expendable</th>
<th>Project Type</th>
<th>Designation Code Level 2</th>
<th>Designation</th>
<th>Admin Dept</th>
<th>Administrator Dept Descr</th>
<th>Dept Status</th>
<th>Spending Criteria</th>
<th>Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00</td>
<td></td>
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<td></td>
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<td>In Course</td>
<td>10062</td>
<td>0 award at $1,000 each annually. Annual Giving.</td>
<td>Established in 2011 by</td>
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<td>0.00</td>
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<td>In Course</td>
<td>10062</td>
<td>2 awards annually at $1,500 each 2017, 2018, and 2019</td>
<td>Established in 2016 by</td>
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<td>0.00</td>
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<td>In Course</td>
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<td>Spend at discretion of administrator</td>
<td>Established in 2009 by</td>
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<td>In Course</td>
<td>10062</td>
<td>1 award at $25,000 each annually. Handled by Advisory Board.</td>
<td>Established in 2012 by</td>
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<td>In Course</td>
<td>10062</td>
<td>1 award at $5,000 each annually until 2020/21.</td>
<td>Established in 2016 by</td>
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<td>In Course</td>
<td>10062</td>
<td>Value: $2,000 minimum</td>
<td>Established in 2002 by</td>
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<td>In Course</td>
<td>10062</td>
<td>1 award at $500 annually and a medal</td>
<td>Established in 2004 by</td>
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<td>In Course</td>
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<td>1 award of $1,000 until 2012/13 and then spend at discretion</td>
<td>Established in 2013 by</td>
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<td>In Course</td>
<td>10062</td>
<td>1 award of $40,000 each. Tenable for up to 4 years (7)</td>
<td>Established in 2012 by</td>
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<td>In Course</td>
<td>10062</td>
<td>$500 available bi-annually (donor is giving $500 per year)</td>
<td>Established in 2011 by</td>
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<td>1 award at $2,500 each annually</td>
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<td>2 awards at $1,000 each annually</td>
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<td>Value: $500</td>
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<td>In Course</td>
<td>10062</td>
<td>Spend at discretion of administrator</td>
<td>Established in 2009 by</td>
</tr>
</tbody>
</table>

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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)

- Select ‘Add’

- Report ID will begin with PCSC_dept (e.g. (PCSC_SFAS). Type in PCSC_ and click magnifying glass to search for your department

- 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.
Inactive Trust Funds
What is an Inactive Trust Fund?

A trust fund that has not had an expenditure for 18+ months

You can identify your inactive trust funds through the annual attestation process.

- The attestation is important to review annually

Operational Policy and Procedures for Trust and Endowment Fund Management
Inactive Trust Fund?

Take Action! Determine the Reason

• $0 Balance
  – Contact UA as the gift term might have ended or the pledge payment may be late.
  – Contact UA to consider closing the fund

• Insufficient balance to award or negative balance
  – Contact UA to see if a pledge payment is expected
  – If the fund is endowed, wait for the trust fund to earn income
  – Contact UA to consider closing the fund

• Restrictive terms of reference
  – Consider options to propose changes to terms
Are Changes Possible?

• Generally, changes to an established trust fund cannot be made as a trust is unalterable and irrevocable.

There are rare occasions where a trust fund may be altered.

1. The gift agreement contains a provision permitting such change (or if there is no gift agreement)
2. The doctrine of cy-pres applies, meaning that as a result of some event/circumstance the trust has become obsolete or impossible to administer
3. The terms of the trust are remaining the same other than broadening the class of beneficiaries
Use the TFOC Approved Change Form

• To make changes to the trust consistent with donor’s intent
• To put money into **action**

• Examples:
  – Updating the terms of reference
    • Terms of reference are too restrictive
    • i.e. A program/department no longer exists
  – Updating the spending criteria
  – Broadening the class of beneficiaries
The Change Form

- Required to alter the purpose of the trust fund
- Reviewed by University Advancement prior to TFOC submission
- Submitted to the Trust Fund Operations Committee (TFOC) by the Trust Fund Administrator
- Trustfunds/Form Templates/ 2019-2020 Template Memo for Trust Changes Final
**Memo to Request Changes to a Trust Fund**

To: Trust Fund Operations Committee (TFOC) or Trust Fund Management Committee (TFMC)

From: Trust Fund Administrator

Date: Date

Re: Include Trust Fund Project #, Trust Fund Name

---

**Please read and complete this section before completing the memo.**

Generally, changes to an established trust fund cannot be made as a trust is, and must be, by its very nature unalterable and irrevocable. In order to protect the original donor’s intent and purpose of the trust, the law prohibits the donor or the trustee from altering the structure and purpose of the trust without appropriate legal justification or authority.

There are rare occasions where a trust fund may be altered (outlined below). Please indicate why the requested change may be allowable (check all that apply):

- The gift agreement contains a provision permitting such a change
- The doctrine of cy-près applies, meaning that as a result of some event, changing circumstances or the passage of time, the trust has become:
  - Obsolete
  - Impracticable or impossible to administer (e.g. power to vary clause applies)
- The terms of the trust are remaining the same other than broadening the class of beneficiaries
- Other: Please provide a brief description

**Background**

Include details on the project (current balance in trust fund, type of fund, existing terms of reference, as applicable), and any details you feel will assist the committee in reviewing your request.

**Issue(s)**

Indicate why a change is being requested

**Request**

Clearly outline the request and include the rationale for the request.

If there is signed gift documentation (gift agreement, etc.), please include with this memo. If you need a copy or are unsure if documentation exists, please check with the Financial Analyst - Trust Funds (Khalid Wahoush – wahousk@mcmaster.ca).

Please confirm that University Advancement has been consulted and are supportive of the requested change.

**Reviewed by UA to be submitted for approval:** Include name of reviewer

---

*Note: The donor (if applicable) must agree with the change request. An email confirming the change is sufficient documentation.*
Approval Process

Undergraduate Awards
- TFOC
- UCAC
- UGC

Graduate Awards
- TFOC
- GC

Other
- TFOC
After the Change is Approved…

• For Awards Remember to…
  – Update the Item Type – Aid & Awards and Grad Studies
  – Update Mosaic, General Info - K. Wahoush- Financial Analyst
  – Update Undergraduate Calendar - Aid & Awards and Grad Studies
  – Update Graduate Calendar/Website (SGS) if applicable
Trust Fund Summary Chart
### Trust Fund Summary Chart

- **New chart – Summary of traits for trust fund types**

<table>
<thead>
<tr>
<th></th>
<th>General Perpetual</th>
<th>General Long-term</th>
<th>Spend down</th>
<th>Specific</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-expendable (endowed) portion</strong></td>
<td>Donation and income less spending allocation Fund 75</td>
<td>Not endowed</td>
<td>Not endowed</td>
<td>Not endowed</td>
</tr>
<tr>
<td><strong>Expendable portion</strong></td>
<td>Expendable donation if applicable and spending allocation net of expenditures Fund 77</td>
<td>Donation and income Fund 77</td>
<td>Donation and income Fund 77</td>
<td>Donation Fund 77</td>
</tr>
<tr>
<td><strong>Invested in</strong></td>
<td>Long-term pool (non expendable) Short-term pool (expendable)</td>
<td>Short-term pool</td>
<td>Long-term pool</td>
<td>Short-term pool</td>
</tr>
</tbody>
</table>
Trust Fund Summary Chart

- Minimum donation for each trust fund type

<table>
<thead>
<tr>
<th></th>
<th>General Perpetual</th>
<th>General Long-term</th>
<th>Spend down</th>
<th>Specific</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum original donation amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other trust funds</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$100,000</td>
<td>$1,000/year for 3 years</td>
</tr>
<tr>
<td>Aid and award trust funds</td>
<td>$20,000 separate application by student not required</td>
<td>N/A</td>
<td>N/A</td>
<td>$1,000/year for 3 years separate application by student not required</td>
</tr>
<tr>
<td></td>
<td>$62,500 separate application required by student</td>
<td></td>
<td></td>
<td>$2,500/year for 3 years separate application required by student</td>
</tr>
</tbody>
</table>
Trust Fund Summary Chart

- Specific vs General Long Term
  - Specific - If intention is to spend the donation within the year of receiving it
  - Specific - Original donation first received when fund is opened is under the $10,000 minimum
  - Otherwise General Long Term

- Review terms of gift agreement if it remains unclear which type to use

- Contact Financial Analyst – Trust funds [Khalid Wahoush (wahousk@mcmaster.ca)]
Policy/Process Updates
Guidelines for Closing an Expendable Trust Fund

- Recently developed guidelines – full guidelines can be found in Mosaic Support & Documentation, under Project Costing
- Can request that a trust fund be closed if it is at $0 balance or the remaining balance is insufficient for meaningful expenditures

Steps:
1. Administrator contacts Senior Development Officer in University Advancement (to confirm no expected donations, ongoing pledges, etc.)
2. If balance is $0.01-100, administrator can transfer to fund with similar terms or General Endowment
3. If balance is over $100, memo request to TFOC
4. Once balance is $0, email Khalid Wahoush for the trust fund to be closed
Summary: Spending Allocation Process: General Trust Funds

- Document provides a summary explanation of the spending allocation process
- Internal document, used to provide background information for reference
- 4% spending allocation based on 60-month average market value of the fund (most common)
- Usually allocated in first quarter of fiscal year (typically July)
- Allocation is a transfer from the endowed portion (fund 75) to the expendable side (fund 77)
- 4% return is based on the investment asset mix expected returns after inflation and admin fees
Summary: Spending Allocation Process: General Trust Funds

- How is 4% calculated?
  - Based on date of trust fund creation

<table>
<thead>
<tr>
<th>Date</th>
<th>Spending Allocation Calculation and Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Created in current calendar year</td>
<td>4% of total non-expendable balance, distributed monthly</td>
</tr>
<tr>
<td>Created in previous calendar year</td>
<td>4% of total non-expendable balance as of December 31 x monthly average of market value/book value for last 5 calendar years for all trust funds, distributed in July</td>
</tr>
<tr>
<td>Created prior to the previous calendar year</td>
<td>4% of monthly average market value of the donation plus preservation of capital for the last five calendar years or the period in existence, whichever is less, distributed in July</td>
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</tbody>
</table>
Questions?