

Trust Fund Information Session

Presented by TFOC



November 25, 2021



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.

Trust Fund Operations Committee (TFOC) Members

- Lou Mitton (Chair) Controller, Financial Affairs
- Karen McGlynn Senior Manager, Accounting & Financial Reporting –
Financial Affairs
- Dennis Tavares Senior Manager, Project Reporting – Financial Affairs
- Khalid Wahoush Financial Analyst, Trust Funds – Financial Affairs
- Pei-Pei Moore Investment Operations Analyst - Investment Management
- Karen Tsang Manager, Finance and Administration- School of Grad Studies
- Brandon Van Dam Senior Manager, Administration and Trusts – FHS
- Liz Way Senior Associate Registrar - Aid and Awards
- Liz McDonough Assistant Registrar – Aid and Awards
- Kathleen Blackwood Director of Finance and Admin - Science
- Alicia Jack Manager, Stewardship and Gift Documentation - UA
- Alina Vorobeitchik Manager - UA
- Dylantha Fernando Stewardship Intern, UA

Agenda

- Welcome Lou Mitton
- Trust and Endowment Fund Policy Dee Henne, Susan Wright and Ryan Liddell
- Trust growth at McMaster Khalid Wahoush
- Equity, Diversity, and Inclusion Liz Way
- Trust Fund Chair Statements Khalid Wahoush
- Market Update Steven Moore



TF-01 Trust and Endowment Fund Management *Policy and Guidelines*



TF-01 Trust and Endowment Fund Management

Introduction

- Effective January 1, 2022
- Objectives of the changes:
 - Streamline administration
 - Eliminate duplicate approvals
 - Update roles and responsibilities
- Two key documents updated:
 - Policy outlines trust fund parameters and overall responsibilities for trust fund management
 - Guidelines provide details of procedures
 - Purpose of trust funds
 - Criteria for opening a trust
 - Roles and responsibilities
 - Accounting and attestation

TF-01 Trust and Endowment Fund Management

Key Changes / Rationale

- Due diligence done beforehand
 - Gift acceptance – taken very seriously (not all potential gifts accepted!)
 - Review of terms by respective areas (e.g. Aid & Awards, Faculties/units)
 - Other factors (e.g. ORHC, trust law, etc.)
- Threshold approach for review
 - Funds <\$100k opened immediately (as due diligence is complete)
 - Funds \$100k+ opened following TFOC review (i.e. financial elements)
- Focus for TFOC and administrators on value-added work
 - Issues with existing funds, getting funds into action

TF-01 Trust and Endowment Fund Management

Key Changes

- For trust administrators
 - No delays in trust fund opening process
 - No more separate checklists (details in gift documentation)
 - Reduced redundancy with gift documentation and instructions; fewer data entry errors

- **IMPORTANCE OF THOROUGHLY REVIEWING GIFT DOCUMENTATION**



- More details to come re: implementation in January. Will be working with TFOC members to ensure smooth transition

TF-01 Trust and Endowment Fund Management

University Advancement Responsibilities

- Working with prospective funders on new gifts and pledges
- Preparing gift proposals reviewed by appropriate leads (e.g. Deans) and consulting with trust fund administrators on fund terms.
- Developing gift documentation and terms of reference for trust funds (consult with all applicable policies, follow signing authority policies), and working with funders and administrators to confirm gifts to trust funds with appropriate gift documentation.
- Working with funders regarding any proposed revisions to original terms of reference of gifts, in consultation with the respective trust fund administrator.

TF-01 Trust and Endowment Fund Management

University Advancement Responsibilities

- Recording and acknowledging receipt of all gifts to the University (e.g. tax receipting, thank you letters)
- Compiling all documentation required to open trust funds, and sharing with Financial Analyst, Trust Funds for centralized files and to the trust fund administrator.
- Corresponding with Treasury Operations regarding gifts of securities.
- Stewardship of gifts, including reporting to funders, recognition, etc.



TF-01 Trust and Endowment Fund Management

Trust Fund Administrators Responsibilities

- Managing according to approved terms
 - Eliminating deficits
 - Activating trusts with little or no activity
- Ensuring accounts and statements to funders are accurate
- Reviewing terms that address OHRC protected grounds
- Completing annual attestation
- Supervising and training administrative delegates
- Consulting University Advancement and Financial Analyst on capitalizing unused expendable balances
- Consulting with Equity & Inclusion Office for OHRC trust funds to ensure they are administrable

TF-01 Trust and Endowment Fund Management

Senior Officer Responsibilities

- Reviewing annual reports to ensure that trust funds are optimally deployed
- Following up with Trust Fund Administrators on identified issues

TF-01 Trust and Endowment Fund Management

Financial Analyst Responsibilities

- Reviewing and maintaining documentation
- Obtaining approval from TFOC for gifts >\$100K
- Calculating unitized values and distributing gains/losses
- Preparing annual statements and reports

TF-01 Trust and Endowment Fund Management

Example - <\$100k

Old Procedure

- UA learns of funder wishing to give \$1,000 x 3 years to bursary
- UA works to confirm acceptance of gift, work with Aid & Awards, respective Faculty to confirm terms, other due diligence
- UA manages development and signing of gift documentation, consulting with all partners
- Gift doc. goes to TFOC to approve, sometimes issues raised afterward
- Delays in approval and funds being put into action

New Procedure

- UA learns of funder wishing to give \$1,000 x 3 years to bursary
- UA works to confirm acceptance of gift, work with Aid & Awards, respective Faculty to confirm terms, other due diligence
- UA manages development and signing of gift documentation, consulting with all partners
- Fund opened immediately upon request from trust administrator, gift doc. shared with all parties.
- Funds put into action

TF-01 Trust and Endowment Fund Management

Example - \$100k+

Old Procedure

- UA learns of funder wishing to give \$1 million to endowed professorship
- UA works with respective Faculty to confirm terms, other due diligence
- UA manages development and signing of gift documentation, consulting with all partners
- Gift doc. goes to TFOC to approve, sometimes issues raised afterward
- Delays in approval, subsequent approvals and funds being put into action

New Procedure

- UA learns of funder wishing to give \$1 million to endowed professorship
- UA works with respective Faculty to confirm terms, other due diligence
- UA manages development and signing of gift documentation, consulting with all partners
- Gift doc. goes to TFOC to review pertinent accounting details, fund opened afterward
- Subsequent Senate approval, funds put into action



TF-01 Trust and Endowment Fund Management *Questions?*





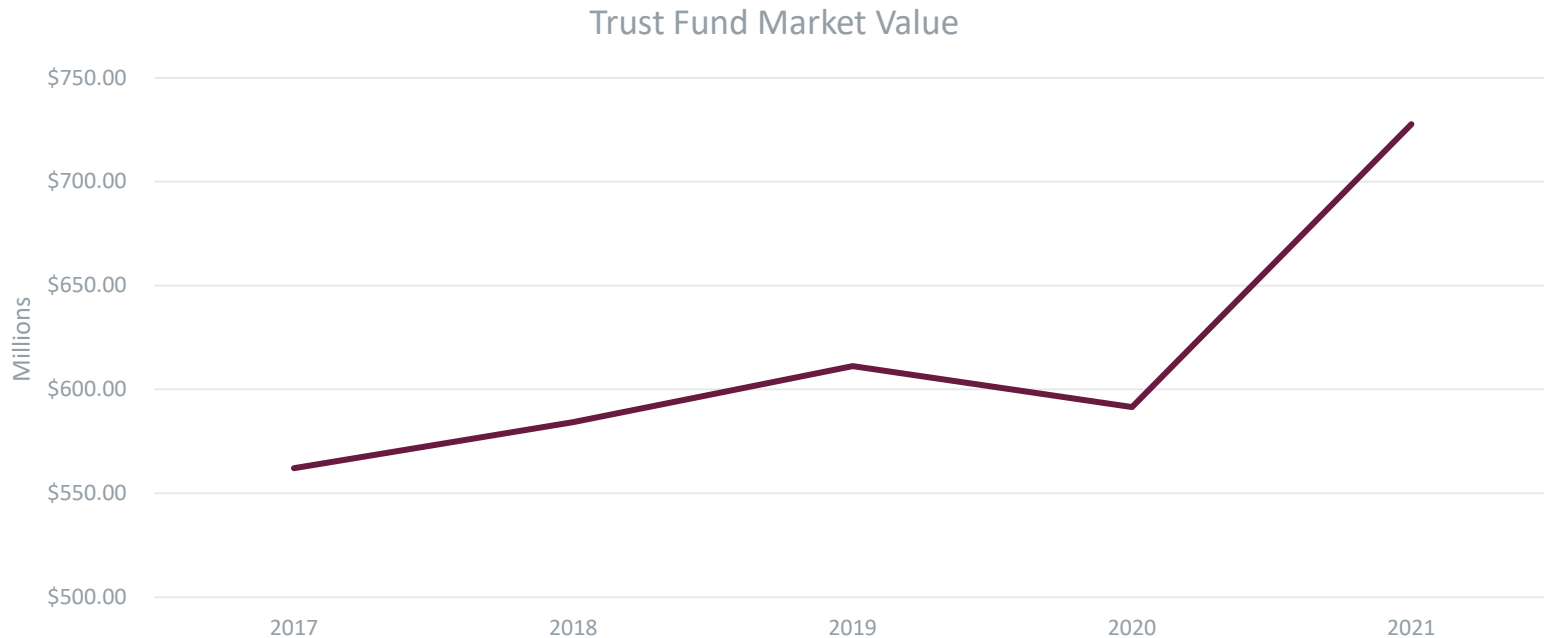
Trust Fund Growth

Trust Funds by the Numbers

- The number of trust funds held at the university since 2017 has increased by 11%
- 1,944 trusts at April 30th, 2017
- 2,154 trust funds at April 30th, 2021
- Main trust categories that have seen growth in this period are Specific (18%) and General Perpetual (8%)
- Majority of trusts held are endowed (76%)

Trust Funds by the Numbers

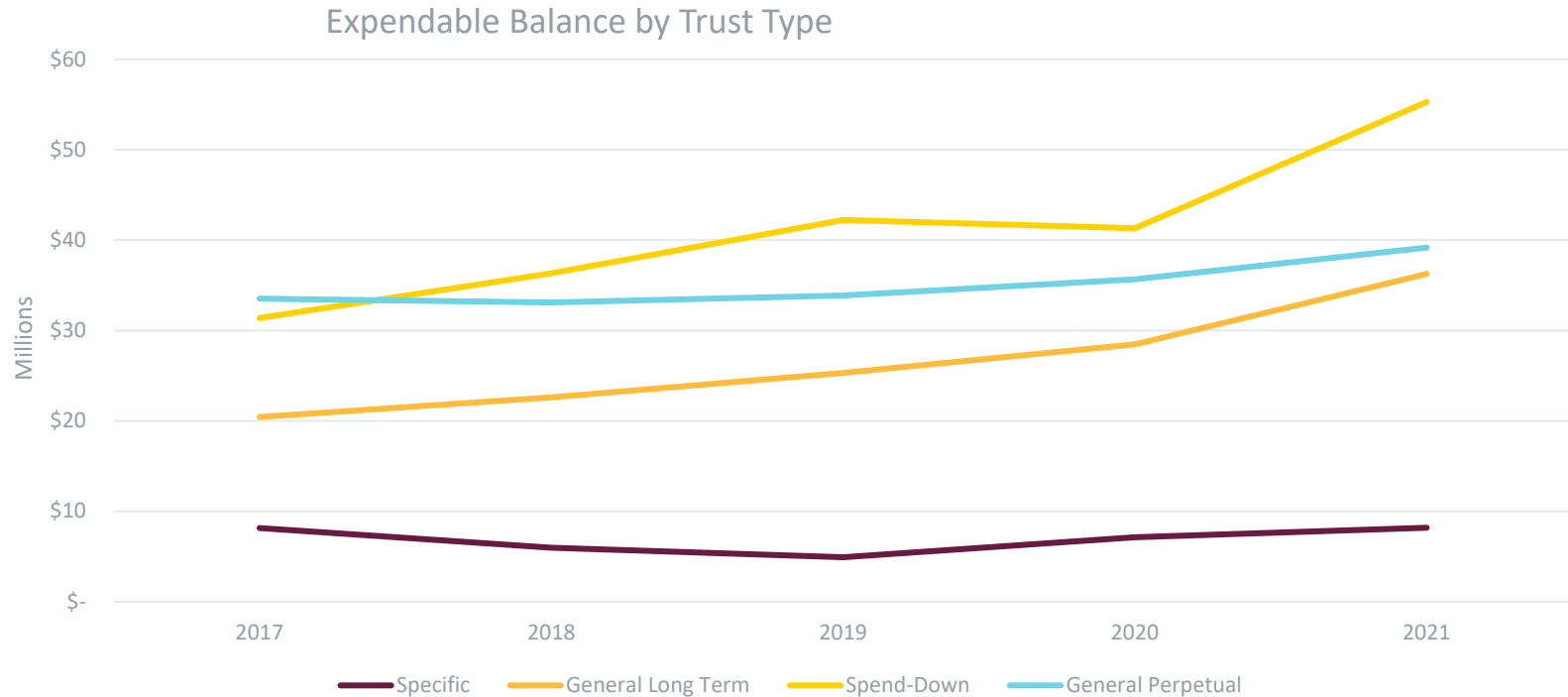
- Dollar value in Trusts held at the University has grown by approximately 29.5% in the past five years



- April 30th, 2017 Market Value: \$559.5M
- April 30th, 2021 Market Value: \$727.6M

Trust Funds by the Numbers

- Expendable Balances by trust type



- April 30th, 2017 Market Value: \$93.6M
- April 30th, 2021 Market Value: \$139.4M

Trust Funds by the Numbers

- Trust fund spending categories at McMaster

Purpose of Trust Funds	2017	2018	2019	2020	2021
Scholarships & Bursaries	27%	26%	26%	26%	25%
Chairs & Professorships	29%	29%	28%	28%	28%
Research	14%	16%	16%	17%	18%
Other	8%	7%	8%	8%	8%
Museum of Art	1%	1%	1%	1%	1%
Library	1%	1%	1%	1%	1%
General University Purposes	20%	20%	20%	19%	19%
Total	100%	100%	100%	100%	100%

- For more information on the endowment brochures please visit:
- <http://impact.mcmaster.ca/our-donor-community>

Trust Funds by the Numbers

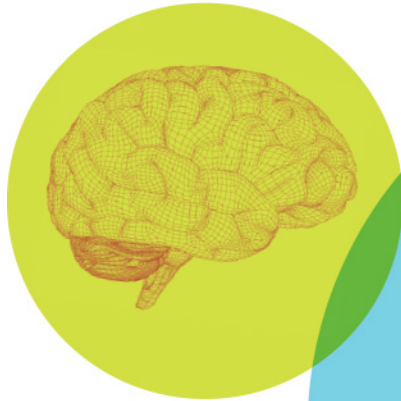
General Perpetual Trusts

- Significant as they are the only trust type held in perpetuity by the University.
- Heavily impacted by the market performance of the investment pool held by the University
- They make up approximately 76% (2021) of the total number of trusts, this proportion has declined over the past 5 years from 78%
- Observed reduction in donors wishing to open perpetual trusts in favour of trusts with a more immediate impact (Specific or General Long Term), this trend is expected to continue

Trust Funds by the Numbers

Specific Trusts

- Harder to quantify the volume of Specific trusts as they are typically short lived so many are closed within the 5-year period being observed
- Figures on funds held in Specific trusts have only grown by 0.13% since 2017
- Expenditures for Specific funds meanwhile, have grown by 9.8%, attributed to shifting donor attitudes on trust types.
- \$11.5m expenditures in 2017 vs \$12.6m in 2021



Trust Fund Growth – Questions?



Equity, Diversity, & Inclusion

2020 Policy Revision Highlights

- Policy Updated to embed Inclusive Excellence Principles:
 - Applicant experience (common application)
 - Self Identification
 - Equity Deserving
 - Committee Composition
 - Committee Training

- Also – Minimums

*Approaches may be helpful for non-policy (i.e. Financial) awards

EDI Awards

- Including Financial Awards
 - Review approved term groupings
 - Complete OHRC form
 - Include stakeholders (as applicable)
 - Black Student Success Centre
 - Indigenous Student Services
 - Student Accessibility Services
 - If no pre-existing approved group or unsure, contact the office of Equity & Inclusion

Self Identification

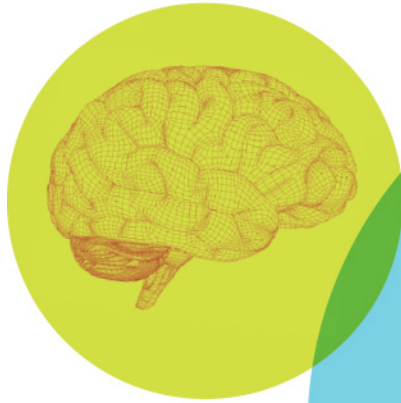
- All awards related to Equity Deserving groups need to be by application
- Why?
 - Self-Identification
- Aid and Awards can help via Awardspring
 - Students self-identify only once
 - Can include optional Equity Deserving narrative
 - Central Capture of need
 - Set up of opportunities

Groups Supported

- Review 'Establishing New Awards OHRC + EDI'
 - Posted on Trust fund EDI team – email eway@mcmaster.ca for inclusion
 - October 2021 revised
 - OHRC
 - OHRC Checklist



Equity, Diversity, & Inclusion – Questions?



Endowed Chair Statements

Annual Endowed Chair Statements

What is it?

- The University holds 128 trusts that fund Chair or Professorship positions across six faculties and departments
- Chair statements are sent out annually to donors of these trusts to report on the in year and to date performance of these trusts
- Beginning in Fiscal 2020 a process update was undertaken to automate many of the manual aspects involved
- All Chair trusts have a unique operating department number associated with them where expenditures are booked

Annual Endowed Chair Statements

Account Requirements

- To facilitate the reduction in manual adjustments required for Chair statements these account requirements were set
- Each account section corresponds to specific line items on the Chair statements based on the report logic
- Account requirements are applicable to all trust funds and can provide some guidance on account use

Annual Endowed Chair Statements

Account Requirements

Endowed Chair Statement Line Item	Account to be used: Trust Side (Fund 70/75/77)	Account to be used: Department Side (Fund 20 Program 30000)	When to use account
University Capital Match	370050 (Internal Capital Match)	n/a	To transfer an Endowed University match to fund 75 (trust)
Endowed Donations Received	370080 (Unexp Capitalized Interest)	n/a	Fund 75 account for capitalized interest entries.
University Match	n/a	480000 (Revenue Transfer – Operating Allocation)	To transfer Expendable University match to operating department (fund 20) of the Chair.
	n/a	480050 (Internal Revenue Transfer – Within Fund)	480050 – used for transfers from fund 20
	n/a	480150 (Internal Revenue Transfer – Between Funds)	480150 – used for transfers from any other fund
Faculty Contribution		480040 (Internal Revenue Transfer – Within envelope)	To transfer additional funds to the operating side of the Chair in excess of the agreed upon match amounts.

Annual Endowed Chair Statements

Account Requirements

Endowed Chair Statement Line Item	Account to be used: Trust Side (Fund 70/75/77)	Account to be used: Department Side (Fund 20 Program 30000)	When to use account
Expenditures	<p>480700* (Trust fund Transfers)</p> <p>480780 (Trust Capitalized Interest)</p> <p>500000-899999 (Any Expense accounts)</p>	<p>480700 (Trust fund Transfers)</p> <p>480925 (Transfers to & from Research)</p> <p>500000-899999 (Any Expense accounts)</p>	<p>To transfer funds from the trust (fund 77) to operating side of the chair (fund 20).</p> <p>To transfer from Research projects to the operating side of a Chair account.</p> <p>Fund 77 account for capitalized interest for trusts</p> <p>Expenses are typically charged to the operating side (fund 20) side of the Chair. Transactions may be booked directly to the trust in accordance with the terms of the trust.</p>

Annual Endowed Chair Statements

Account Requirements

- Purpose: To create a standard for account use across all trust funds allowing for reporting to be consistent without the need to adjust
- Provide an upfront guide on account use for all parties involved in trust administration
- Increase overall awareness of account use and how it pertains to trust administration requirements for internal and external reporting purposes

Annual Endowed Chair Statements

Going Forward

- Scheduled actions throughout the fiscal year for review of GL transactions and correction of any account use errors
- Persistent training/reminder of the correct accounts for use to avoid errors before they occur
- Prior to year end (anticipated March) a more in-depth review of trusts, particularly those with history of these issues to give time for corrections to be made



Endowed Chair Statements – Questions?



Market Update for Fiscal 2021