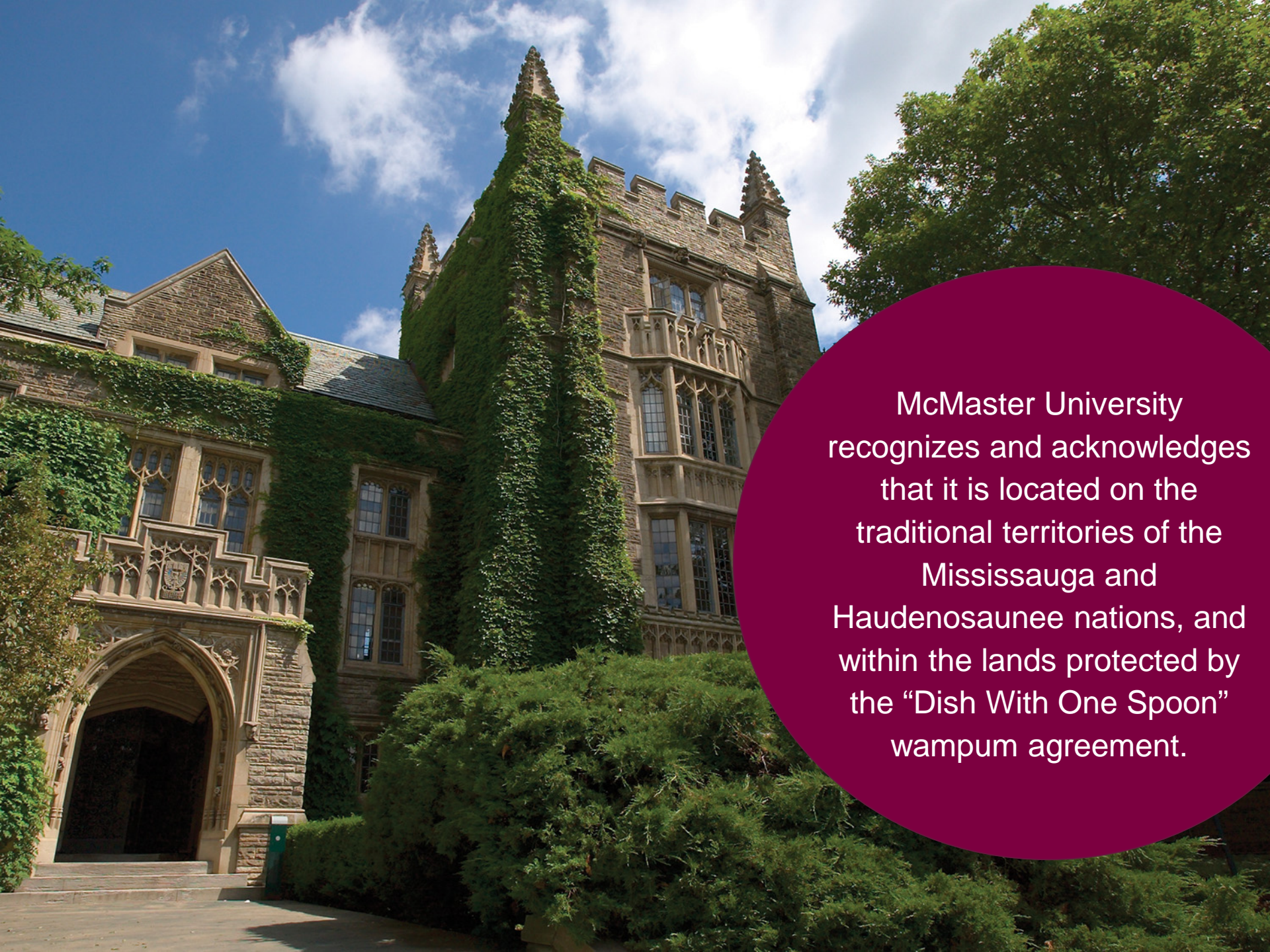


Trust Fund Information Session

Presented by TFOC



February 13, 2020



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

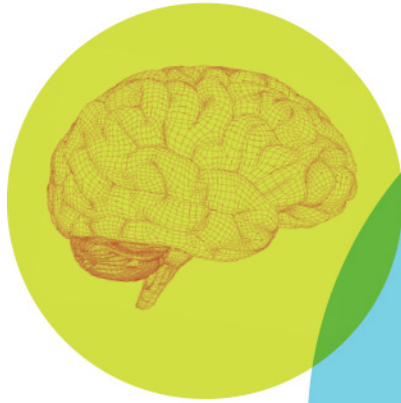
Lou Mitton

Paul Grossman, Melanie
Garnish

Tracie Long, Alicia Jack

Khalid Wahoush

Steven Moore



Planned Giving and Bequests

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

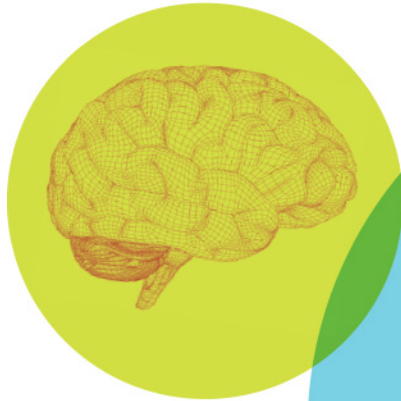
Who leaves bequest & Where do they leave it?

- 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?

- Requests 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
- Requests 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

Memo

To: Roger Couldrey, Vice-President, Administration (original copy of Gift Agreement)
Sally Ramsammy, Director of Finance, School of Graduate Studies
Lisa Barty, Manager (Academic) MBA, DeGroote School of Business
Senior Advancement Analyst, University Advancement
Samantha Petryk, 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 Brenda Barnes MBA Academic Grant*

Please find attached a signed Gift Agreement for a pledge of \$50,000 from *John* to establish *The Brenda Barnes 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 Ramsammy 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. 27584.

Thanks,

Claudia

Specific trust funds should **ALWAYS** have a spending criteria

Memo

To: Roger Couldrey, VP, Administration (original copy of Statement of Gift)
Alicia Jack, Trust Fund Administrator, Student Financial Aid and Scholarships
Tracie Long, Senior Associate Registrar, Student Financial Aid and Scholarships
Senior Advancement Analysts, University Advancement
Khalid Wahoush, Financial Analyst, Financial Services

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

Date: January 24, 2020

Re: Signed Statement of Gift for the establishment of the John and Margaret Wilson Memorial Scholarship, John and Margaret Wilson English and Cultural Studies Bursary and the John and Margaret Wilson Memorial Bursary

Please find attached a signed Statement of Gift for a Gift of \$480,000 from The Estate of Margaret Janet Wilson Wilson to establish the John and Margaret Wilson Memorial Scholarship, the John and Margaret Wilson English and Cultural Studies Bursary and the John and Margaret Wilson Memorial Bursary.

This gift was received in full December 2019. Pending allocation PSW238A needs to be changed.

John and Margaret Wilson Memorial Scholarship (\$120,000)

Type of Fund: General perpetual with Tracie Long as Administrator
Spending Criteria: Spend at discretion of Administrator in accordance with university policy and procedures

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

The screenshot displays the 'General Information' tab for Project 20009096. The interface includes a navigation bar with tabs: General Information, Project Costing Definition, Primavera, Manager, Location, Phases, Approval, Justification, and User Fields. The project description is partially visible as a redacted box. Below the project name, there are sections for 'Event' and 'Details'. The 'Details' section contains fields for 'Approval Sequence' (value 1) and 'Source'. Under 'Approval Authority', the 'Role Type' is set to 'Manager' and the 'User ID' is 'PETRYKSS'. The 'Approval Status' section has an 'Approve' button. The 'Description' section has a 'Description' field and a 'Long Description' field. The 'Long Description' field contains the text '1 award of \$1,000 granted annually from 2018-22' and is circled in red. At the bottom, there are buttons for 'Save as Template' and 'Copy Project', and a navigation bar with links for 'My Projects', 'Project Valuation', 'Project Team', 'Project Activities', 'Go To', and 'More'. A footer bar contains 'Save', 'Return to Search', 'Refresh', 'Add', 'Update/Display', and 'Include History' buttons.

Spending Criteria Report

- Simplified nVision report

| Trust Project # | Trust Project Name | Spending Allocation 480750 | Current Year Payments - All Expense Accounts | Total Expendable | Project Type | Designation Code Level 2 Descr | Designation | Admin Dept | Administrator Dept Descr | Dept | Status | Spending Criteria | Terms |
|-----------------|--------------------|----------------------------|--|------------------|--------------|--------------------------------|-------------|------------|------------------------------|-------|--------|---|--------------------------|
| | | 0.00 | 0.00 | 0.00 | TSPTR | Bursaries | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$1,000 each annually. Annual Giving. | Established in 2011 by |
| | | 0.00 | -1,500.00 | 0.00 | TSPTR | Scholarships | Entrance | 10062 | Undergrad Scholarship&Bursai | 10062 | O | Two awards annually at \$1500 each 2017, 2018 and 2019 | Established in 1961 by |
| | | 0.00 | 0.00 | 2,000.00 | TSPTR | Bursaries | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | Spend at discretion of administrator | Established in 2009. A |
| | | 0.00 | 0.00 | 150.00 | TSPTR | Scholarships | Exchange/T | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$25,000 each annually. Handled by Advisory boa | Established in 2012 by |
| | | 0.00 | 0.00 | 0.00 | TSPTR | Bursaries | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$1,500 each annually until 2020/21. | Established in 2011 by |
| | | 0.00 | -13,000.00 | -1.00 | TSPTR | Scholarships | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | Value \$2,000 minimum. | Established in 2002 by |
| | | 0.00 | -350.00 | 3,459.17 | TSPTR | Scholarships | Graduand S | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$350 annually and a medal | Established in 2000 by |
| | | 88.53 | -1,000.00 | 134.16 | TGPTTR | Scholarships | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award of \$1,000 until 2019/20 and then spend at discretion | Established in 2013 by |
| | | 0.00 | -5,853.00 | 6,230.00 | TSPTR | Scholarships | Entrance | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award of up to \$40,000 each. Tenable for up to 4 years (s) | Established in 2012 by |
| | | 0.00 | 0.00 | 500.00 | TSPTR | Bursaries | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | \$500 available bi-annually (donor is giving \$250/yr.) | Established in 2011 by |
| | | 0.00 | 0.00 | 0.00 | TSPTR | Academic Grants | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$2,500 each annually | Established in 2012 by |
| | | 0.00 | -2,500.00 | 4,000.00 | TSPTR | Scholarships | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 awards at \$2500 annually | Established in 2001 by |
| | | 0.00 | -2,000.00 | 2,000.00 | TSPTR | Scholarships | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 2 awards at \$1,000 each annually | Established in 2011 by |
| | | 0.00 | -600.00 | 3,450.00 | TSPTR | Scholarships | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | Value: \$600 | Established in 2004 by |
| | | 0.00 | 0.00 | 500.00 | TSPTR | Bursaries | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | Spend at the discretion of administrator | Established in 2009 in h |
| | | 0.00 | -1,000.00 | 0.00 | TSPTR | Scholarships | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$1,000 each annually | Established in 1984 by |
| | | 0.00 | 0.00 | 2,000.00 | TSPTR | Bursaries | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$1,000 each annually from 2013/14 to 2017/18. | Established in 2013 by |
| | | 0.00 | -1,000.00 | 1,000.00 | TSPTR | Scholarships | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$1,000 each annually | Established in 2006 in r |
| | | 0.00 | -1,000.00 | 0.00 | TSPTR | Scholarships | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$1,000 each annually | Established in 2009 by |
| | | 0.00 | -2,000.00 | 2,000.00 | TSPTR | Scholarships | Graduand S | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$2,000 each annually | Established in 1992 by |
| | | 0.00 | -2,000.00 | 0.00 | TSPTR | Scholarships | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 2 awards of \$1k each from 2019-2023previous to July 2018. | Established in 1988 by |
| | | 0.00 | -1,000.00 | 261.09 | TSPTR | Scholarships | Graduand S | 10062 | Undergrad Scholarship&Bursai | 10062 | O | Spend at the discretion of the administrator | Established in 2009 by |
| | | 0.00 | 0.00 | 2,500.00 | TSPTR | Scholarships | Exchange/T | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$2,500 each annually | Established in 2011 by |
| | | 0.00 | 0.00 | 0.00 | TSPTR | Scholarships | Exchange/T | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$2,500 annually | Established in 2012 by |
| | | 0.00 | 0.00 | 1,000.00 | TSPTR | Academic Grants | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$1,000 each annually for 3 years (2016/17, 2017 | Established in 2011 by |
| | | 0.00 | -1,000.00 | 3,500.00 | TSPTR | Scholarships | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$1,000 each annually going forward as of Januar | Established in 2009 by |
| | | 0.00 | 0.00 | 876.04 | TSPTR | Bursaries | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award at \$1,000 each annually | Established in 2012 by |
| | | 0.00 | -5,500.00 | 1,000.00 | TSPTR | Academic Grants | Entrance | 10062 | Undergrad Scholarship&Bursai | 10062 | O | 1 award @ \$5500 annually from 2018 - 2021. History: Value | Established in 2009 by |
| | | 0.00 | 0.00 | 950.52 | TSPTR | Bursaries | In Course | 10062 | Undergrad Scholarship&Bursai | 10062 | O | Spend at discretion of administrator | Established in 2010 by |

Running the Spending Criteria Report

- Finance → Reporting Tools → PS/nVision → Define Report Book.
- 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

Report Book

Run Control ID SPENDING_CRITERIA

Report Manager

Process Monitor



Run Parameters

As Of Date Specify

01/30/2018

Tree Effective Date Default

Ignore Runtime Errors

Retention Days

Report Requests

Personalize | Find | View All

First 1 of 1 Last

| Seq | Business Unit | Report ID | View | Run | | |
|-----|---------------|-----------|----------------------|-------------------------------------|-------------------|-------------------|
| 1 | MAC01 | PCSC_GRD | View | <input checked="" type="checkbox"/> | + | - |

Select All

Deselect All


Flip All

Running the Spending Criteria Report


Process Scheduler Request ✕

[Help](#)

User ID PETRYKSS Run Control ID SPENDING_CRITERIA

Server Name Run Date 

Recurrence Run Time

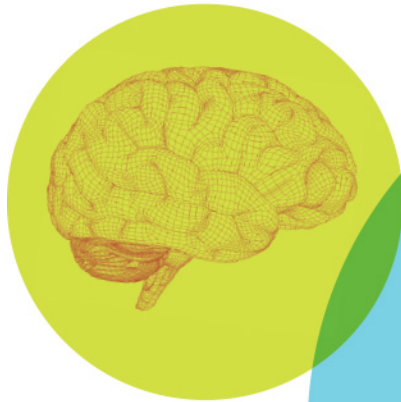
Time Zone 

Process List

| Select | Description | Process Name | Process Type | *Type | *Format |
|-------------------------------------|----------------------------|--------------|--------------------|-----------|-----------|
| <input type="checkbox"/> | Research Project Statement | MCM_RPTB | nVision-ReportBook | Default ▾ | Default ▾ |
| <input checked="" type="checkbox"/> | nVision Report Book | RPTBOOK | nVision-ReportBook | Default ▾ | Default ▾ |

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 Fund¹

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-pres 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*

¹A trust fund is a financial account (project in Mosaic) that holds donations or bequests received by the University whereby conditions and/or legal requirements exist for usage defined by the donor and the University, or terms for use established by the University.
Updated Sept 17, 2018

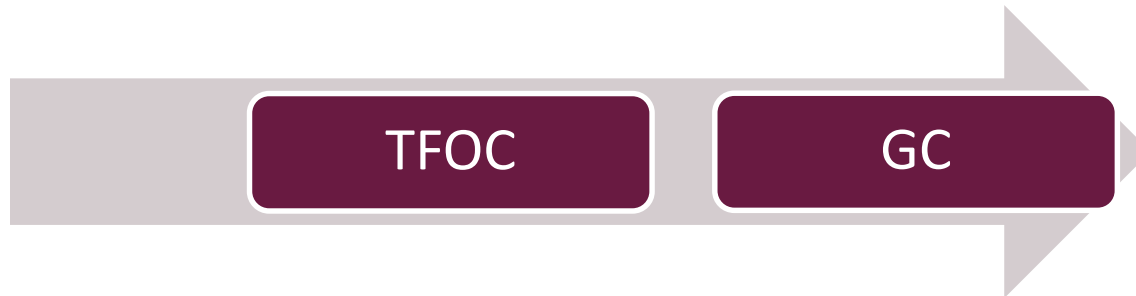
***Note: The donor (if applicable) must agree with the change request. An email confirming the change is sufficient documentation**

Approval Process

Undergraduate
Awards



Graduate
Awards



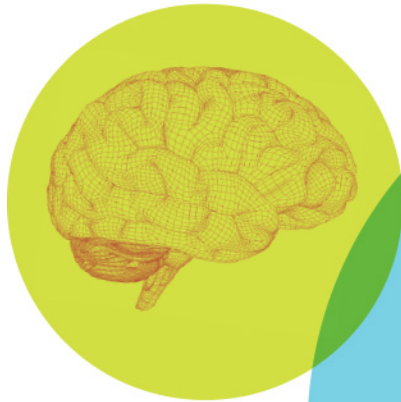
Other



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

| | General Perpetual | General Long-term | Spend down | Specific |
|----------------------------------|--|--------------------------------|--------------------------------|---------------------|
| Non-expendable (endowed) portion | Donation and income less spending allocation Fund 75 | Not endowed | Not endowed | Not endowed |
| Expendable portion | Expendable donation if applicable and spending allocation net of expenditures Fund 77 | Donation and income Fund 77 | Donation and income Fund 77 | Donation Fund 77 |
| Invested in | Long-term pool (non expendable) Short-term pool (expendable) | Short-term pool | Long-term pool | Short-term pool |

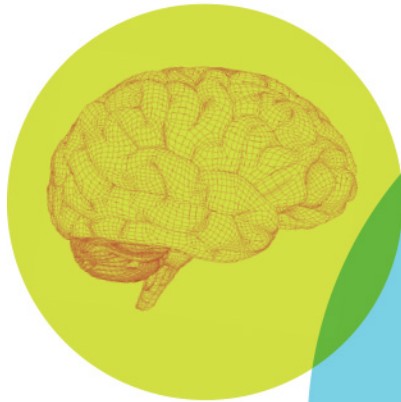
Trust Fund Summary Chart

- Minimum donation for each trust fund type

| | General Perpetual | General Long-term | Spend down | Specific |
|----------------------------------|---|-------------------|------------|---|
| Minimum original donation amount | | | | |
| Other trust funds | \$10,000 | \$10,000 | \$100,000 | \$1,000/year for 3 years |
| Aid and award trust funds | <p>\$20,000 separate application by student not required</p> <p>\$62,500 separate application required by student</p> | N/A | N/A | <p>\$1,000/year for 3 years separate application by student not required</p> <p>\$2,500/year for 3 years separate application required by student</p> |

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

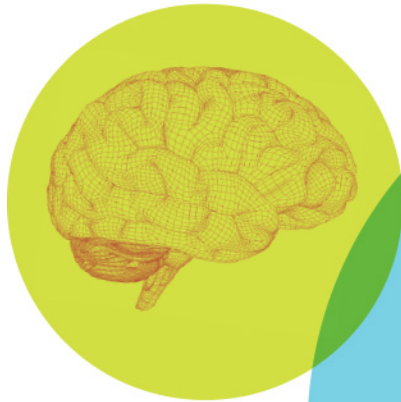
Summary: Spending Allocation Process: General Trust Funds

- 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

| Date | Spending Allocation Calculation and Distribution |
|---|---|
| Created in current calendar year | 4% of total non-expendable balance, distributed monthly |
| Created in previous calendar year | 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 |
| Created prior to the previous calendar year | 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 |



Market Update



Questions?