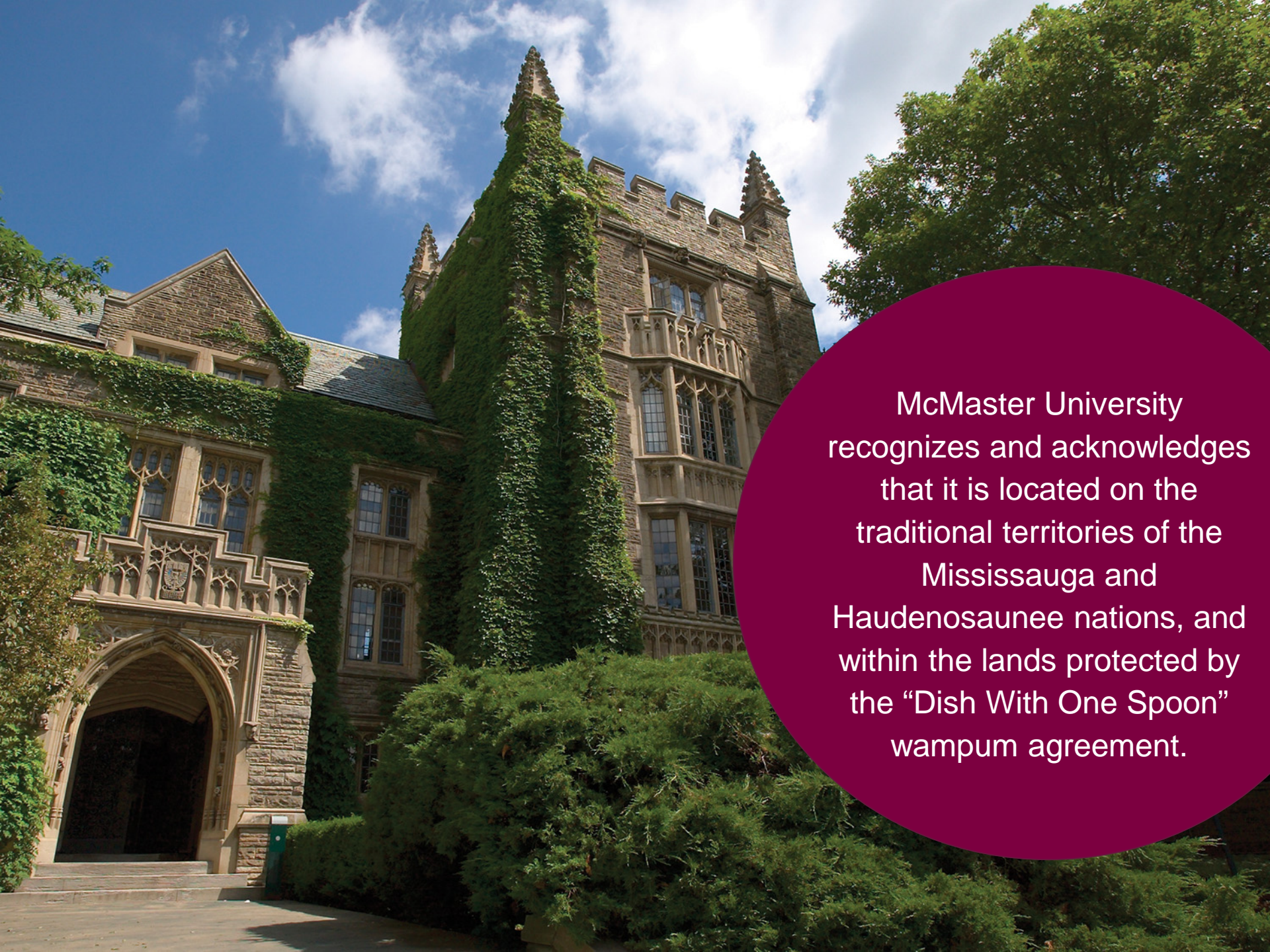


Trust Fund Information Session

Presented by TFOC



November 26, 2020



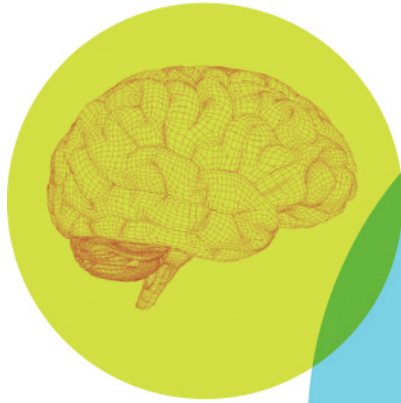
McMaster University recognizes and acknowledges that it is located on the traditional territories of the Mississauga and Haudenosaunee nations, and within the lands protected by the “Dish With One Spoon” wampum agreement.

Trust Fund Operations Committee (TFOC) Members

- Lou Mitton (Chair) Controller, Financial Affairs
- Karen McGlynn Senior Manager, Financial Affairs
- Alina Vorobeitchik Manager, University Advancement
- Claudia Russell Senior Development Officer, University Advancement
- Tracie Long Senior Associate Registrar, Aid and Awards
- Alicia Jack Assistant Registrar, Aid and Awards
- Stephanie Morrow Senior Manager, Admin and Trusts, FHS
- Karen Tsang Finance Manager, School of Grad Studies
- Kathleen Blackwood Director of Administration, Faculty of Science
- Dylantha Fernando Student Intern, University Advancement
- Khalid Wahoush Financial Analyst – Trust Funds, Financial Affairs
- Pei-Pei Moore Investment Operations Analyst, Investment Management

Agenda

- Welcome Lou Mitton
- Fund Accounting for Donations Lou Mitton, Ryan Liddell
- Trust Fund Matrix Khalid Wahoush
- Attestation process – Best Practices Tracie Long, Alicia Jack, and Kathleen Blackwood
- Market Impact on Annual Allocation Khalid Wahoush
- Market Update Steven Moore
- Questions



Fund Accounting for Donations

Why is this important?

	2020
	In \$'000's
Deferred contributions (note 10):	
Deferred for future expenses	Funds 45 / 55 / 77 / 85 371,100
Deferred capital contributions	Fund 60 491,662
	862,762
Net assets:	
Unrestricted	-
Internally restricted (note 11)	Fund 20 97,679
Equity in capital assets (note 12)	470,378
Endowments (note 13):	
Internal	Fund 70 141,333
External	Fund 75 476,018
	1,185,408

- Fund balances are reported as liabilities or net assets in our audited financial statements
- This affects how stakeholders like credit rating agencies view our financial health

Factors to consider

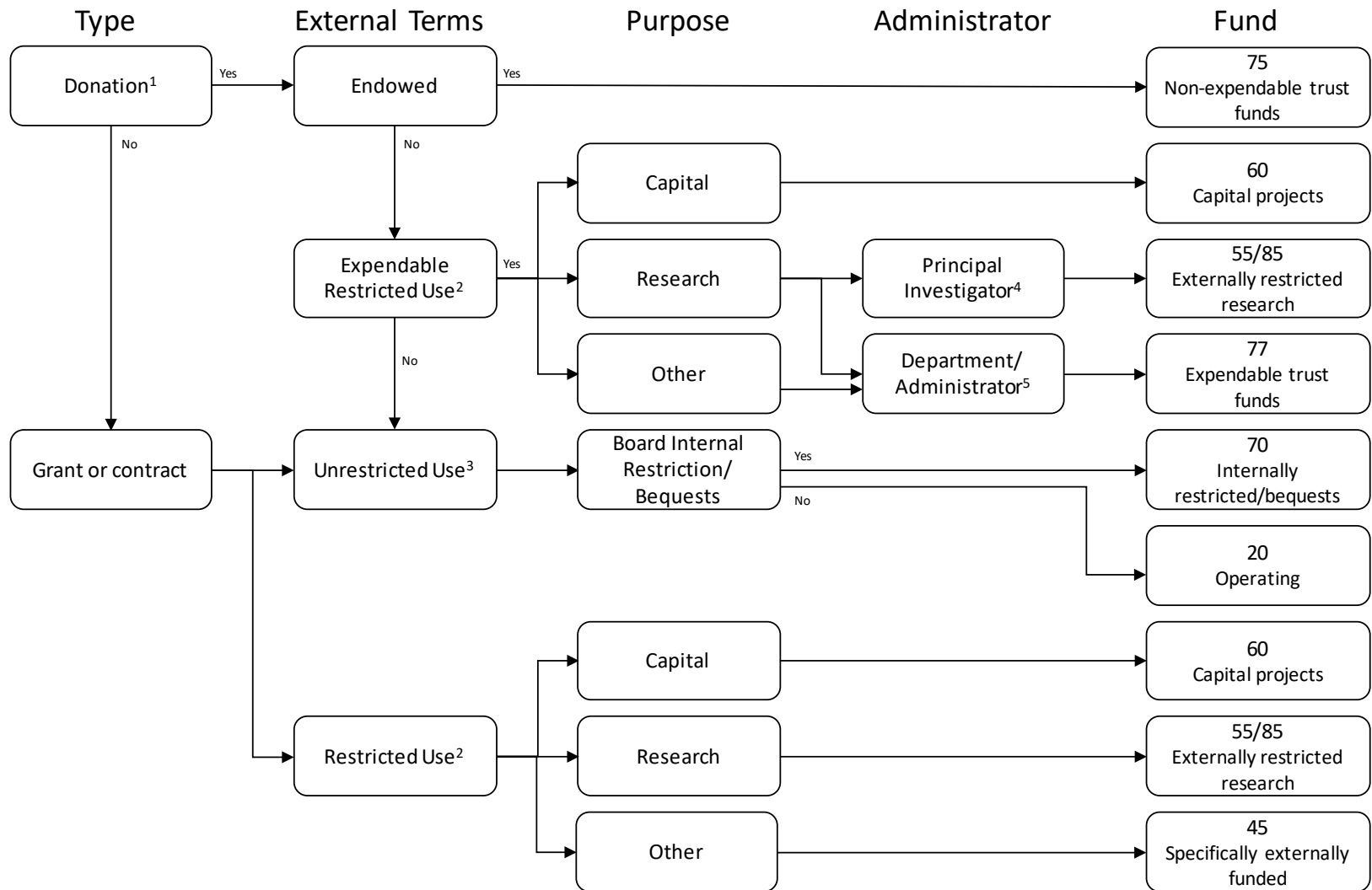
Gift or donation

- Funder receives no benefit
- No detailed scope of work, budget, or duration
- No requirement to return unexpended funds
- If funder wishes money to be endowed

Grant or contract

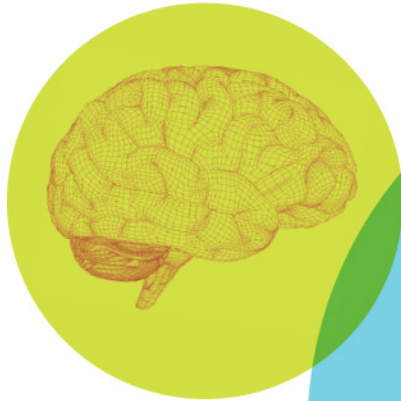
- Detailed budget, activity or scope of work
- “Deliverables”
- If ethics approval required
- Financial report/audit provisions
- Return of unexpended funds
- Creation of intellectual property

Decision tree



Notes to the decision tree

- 1) Donations meet the CRA criteria of voluntary transfer of property without valuable consideration to the donor.
- 2) External restrictions may specify the purpose of the funding, allowable expenditures or specific deliverables. Grants and contracts may include a requirement to return unspent funds.
- 3) Donations that specify the intended area but not the purpose and require no reporting to the donor may be transferred to Operating Fund 20 at the discretion of the recipient, e.g. a donation to the Department of Biology.
- 4) Donations toward the direct cost of a research project, with expenditures authorized by the principal investigator or delegate, should be coordinated with the responsible research office.
- 5) Donations toward costs enabling research but not directly part of a project, for example funding for student travel to a research conference, may be held in a trust fund.



Trust Fund Matrix

Trust Fund Summary Chart

- New chart – Summary of traits for trust fund types to assist in decision making for which trust type to

	General Perpetual	General Long-term	Spend down	Specific
	Externally restricted, endowed trust funds where the donation is non-expendable and only income earned may be expended.	Externally restricted, unendowed trust funds from which both the donation and income will be expended.	Externally restricted, unendowed trust funds from which both the donation and income will be expended.	Externally restricted, unendowed short-term trust funds which normally are to be spent in the current year.
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

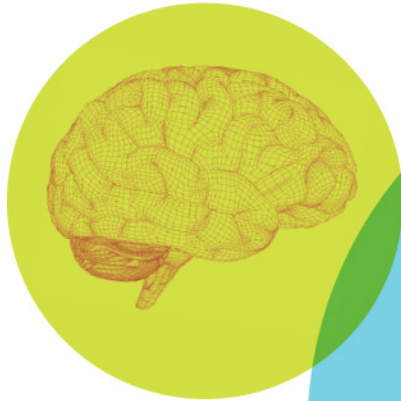
Trust Fund Summary Chart

Minimums donation amounts required for each trust type.

	General Perpetual	General Long-term	Spend down	Specific
Minimum original donation amount				
- Other trust funds ¹	\$10,000	\$10,000	\$100,000	\$1,000/year for 3 years
- Aid and award trust funds	\$20,000 separate application by student not required \$62,500 separate application required by student	N/A	N/A	\$1,000/year for 3 years separate application by student not required \$2,500/year for 3 years separate application required by student
Preservation of capital	Yes	No	No	No
Term	Permanent	Until depleted	Approximately 13 years	Minimum 3 years ²

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)]



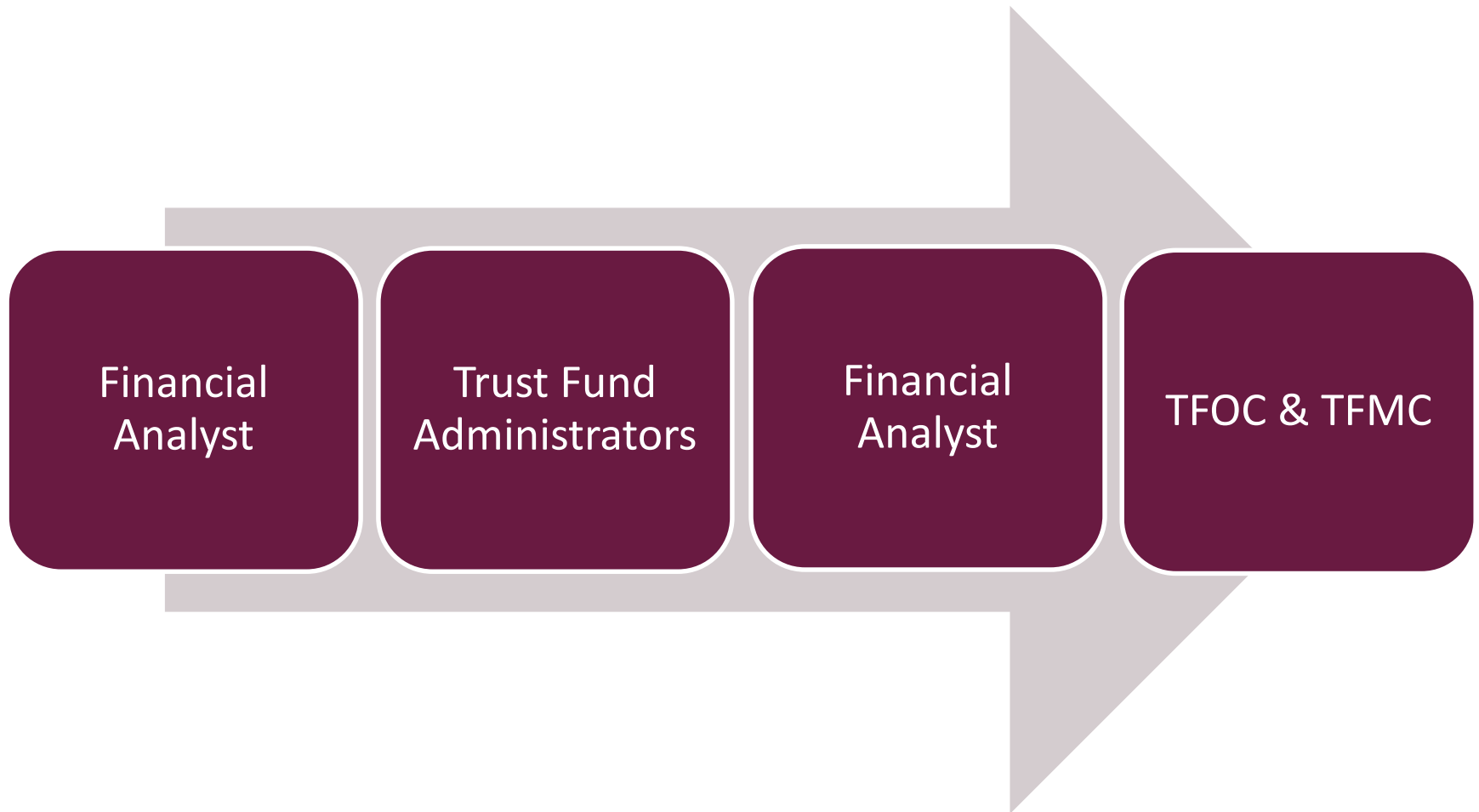
Attestation Process Best Practices

The Annual Trust Fund Review & Attestation

What is it?

- A review of the University's trust funds to ensure the terms and conditions of trust funds are being met
- An attestation of compliance with the Operational Policy and Procedures for Trust and Endowed Fund Management
- A review of project managers, projects in deficits, and inactive projects
- Annually in November

Process Map



Annual Trust Fund Review & Attestation

Trust Fund Administrator's Process Steps

Step 1: Compliance with the Operational Policy and Procedures for Trust and Endowed Fund Management

Step 2: Trust Fund Review

Step 3: Minimum Requirements & Fund Closures

Step 1: Compliance with the Operational Policy and Procedures for Trust and Endowed Fund Management

Compliance with the Operational Policy and Procedures for Trust and Endowed Fund Management

The Planning and Resources Committee requires the Assistant Vice-President (Administration) & CFO to report to it annually, an attestation that the Operational Policy and Procedures for Trust and Endowed Fund Management is being complied with.

In order to meet this request, confirmation is required that you have, in fact, complied with the Policy and Procedures and that the trust fund(s) noted on the attached list and for which you are responsible are being administered in accordance with the specification(s) of the donor (refer to gift agreement, where applicable). If you have delegated the administration of a trust fund to another individual it is your responsibility to confirm that they have complied with the terms of the fund. You may wish to add their name and signature to the form, and possibly their manager's.

Please sign under the Trust Fund Administrator space below, **countersigned by the senior officer responsible for your area**, and delegate if appropriate and return this form by **December 11, 2020**.

Please return this attestation whether or not your trust fund(s) are in compliance with the Operational Policy and Procedures for Trust and Endowed Fund Management, available at www.mcmaster.ca/bms/policy/trust/opguide.pdf.

Please check one:

- This confirms that the trust fund(s) for which I am responsible are being administered in compliance with the Operational Policy and Procedures for Trust and Endowed Fund Management and in accordance with the specification(s) of the donor(s).

- The trust fund(s) which I administered were not in compliance with the Operational Policy and Procedures for Trust and Endowed Fund Management or in accordance with the specification(s) of the donor(s) for the following reasons:



Trust Fund Delegate: <i>(Optional)</i>	Manager of Trust Fund Delegate: <i>(Optional)</i>	Trust Fund Administrator:	Senior Officer:
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Please print name	Please print name	Please print name	Please print name

Step 2: Trust Fund Review

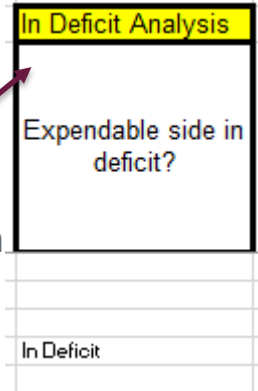
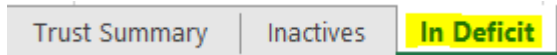
Please review the Trust Summary for the following:

- (a) You are the Project Manager of the projects listed.
- (b) The short name of the Trust Fund is correct (maximum 20 characters).
- (c) The projects are correctly designated.

Trust Project #	Trust Project Descr	Designation Code Level 1 Descr	Designation Code Level 2 Descr	Designation Code Level 3 Descr	Administrator Dept	Administrator Dept Descr	Administrator Area Dept
12345678	Trust Fund Name	Student Awards	Bursaries	In Course	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Scholarships	In Course	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Scholarships	Exchange/Travel Scholars	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Scholarships	Entrance	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Scholarships	In Course	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Bursaries	In Course	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Scholarships	Graduand Scholarships	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Scholarships	Exchange/Travel Scholars	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Bursaries	In Course	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Scholarships	In Course	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Scholarships	Graduand Scholarships	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Academic Grants	In Course	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Bursaries	#N/A	10062	Undergrad Scholarship&Bursa	0.00
12345678	Trust Fund Name	Student Awards	Scholarships	In Course	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Scholarships	Entrance	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Bursaries	In Course	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Academic Grants	In Course	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Scholarships	In Course	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Scholarships	In Course	10062	Undergrad Scholarship&Bursa	10062
12345678	Trust Fund Name	Student Awards	Scholarships	In Course	10062	Undergrad Scholarship&Bursa	10062

Step 2: Trust Fund Review

Review the 'In Deficit' tab



On the trust summary, funds in deficit will be flagged under the 'in deficit analysis' column.

Trust Funds In Deficit at October 31, 2019

Please indicate the reason for the deficit and how and when it will be eliminated.

Project		Deficit Value at Oct 31/19	Brief Explanation	Plan for Eliminating Deficit	In Deficit at Oct 31 since
No.	Description				
12345678	Scholarship Example	-\$ 12,287.92			31-Oct-19
12345678	Scholarship Example	-\$ 205.83			31-Oct-19
12345678	Scholarship Example	-\$ 11,825.63			31-Oct-18
12345678	Scholarship Example	-\$ 30,000.00			31-Oct-19

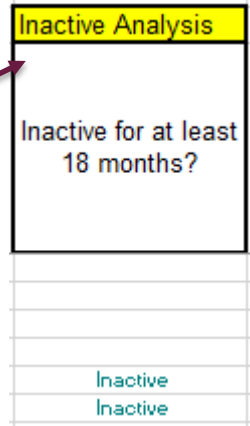
Provide an explanation for the deficit and a plan for eliminating the deficit

Step 2: Trust Fund Review

Review the 'Inactives' tab



On the trust summary tab, inactive funds will be flagged under the 'inactive analysis column'.



Trust Funds Inactive since May 1, 2018					
Please provide an explanation for the inactivity and a plan for correcting the situation for each project.					
No.	Project Description	Available Value at Oct 31/19	Brief Explanation <small>(eg. Insufficient income available, no applicant for award)</small>	Plan for Spending	Inactive For:
12345678	Scholarship Example	\$ 500.00			1.5 yrs
12345678	Scholarship Example	\$ -			1.5 yrs
12345678	Scholarship Example	\$ -			1.5 yrs
12345678	Scholarship Example	\$ 2,590.00			6.5 yrs
12345678	Scholarship Example	\$ 2,500.00			1.5 yrs
12345678	Scholarship Example	\$ 251.00			1.5 yrs
12345678	Scholarship Example	\$ -			1.5 yrs
12345678	Scholarship Example	\$ 315.00			1.5 yrs
12345678	Scholarship Example	\$ 246.47			1.5 yrs
12345678	Scholarship Example	\$ 2,564.17			2.5 yrs
12345678	Scholarship Example	\$ 2,589.87			2.5 yrs
12345678	Scholarship Example	\$ 1,241.99			1.5 yrs
12345678	Scholarship Example	\$ 748.15			4.5 yrs
12345678	Scholarship Example	\$ 9,382.99			1.5 yrs

Examples of Explanations:
 Insufficient income available
 No applicant for award
 No eligible candidate
 Forfeited due to graduating
 Not fully funded
 Will spend in fiscal 2019
 Limited terms

Provide an explanation for the inactive funds and a plan for spending in the next fiscal year.

Step 3: Minimum Requirements & Fund Closures

Trust Project #	Trust Project Descr	Non-Expendable Donations 370005, 370010, 370020, 370030	Non-Expendable External Match 370035, 370015, 370025	Non-Expendable Internal Match 370050	Non-Expendable Capitalized Interest 370080	Subtotal - Non-Expendable Capital Balance	C
12345678	Award Example	1,510.00	0.00	0.00	0.00	1,510.00	
12345678	Award Example	675.00	0.00	0.00	0.00	675.00	
12345678	Award Example	599.50	0.00	0.00	0.00	599.50	
12345678	Award Example	910.00	0.00	0.00	0.00	910.00	
12345678	Award Example	0.00	0.00	0.00	0.00	0.00	
12345678	Award Example	0.00	0.00	0.00	0.00	0.00	
12345678	Award Example	24,968.00	0.00	0.00	0.00	24,968.00	
12345678	Award Example	750.00	0.00	0.00	0.00	750.00	
12345678	Award Example	1,000.00	0.00	0.00	0.00	1,000.00	
12345678	Award Example	0.00	0.00	0.00	0.00	0.00	
12345678	Award Example	0.00	0.00	0.00	0.00	0.00	
12345678	Award Example	922.00	0.00	0.00	0.00	922.00	

Best Practices

- Disburse according to the terms of reference
- Review fiscal balances prior to awarding period
- Understand your fiscal spending in accordance with the gift agreement or spending criteria
- Ensure that you have not overspent or underspent.
- Reconcile expenditures
- Trial run the Endowed Trust Fund Statements (ETFs) and make any necessary corrections prior to year end
- Review inactive funds and working with University Advancement to revise the terms of reference where needed

Helpful Resources

- NVision Report
- Transaction by Project Report
- Endowment Trust Fund Statements
- Gift Documentation- Mosaic/UA
- Interim Trust Fund Donor Report
- Recipient Reports
- Spending Criteria Report

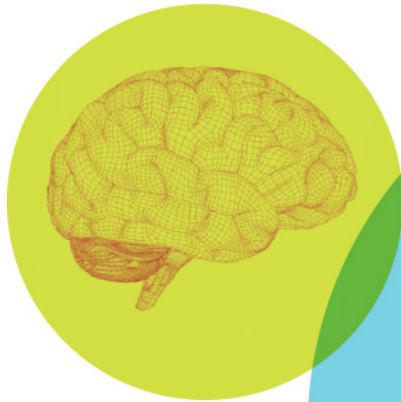
Operational Policy & Procedures of Trust Fund & Endowed Fund Management

- Annual sign off by administrators to confirm trust funds have been administered in compliance with the *Operational Policy & Procedures for Trust & Endowed Fund Management*

Operational Policy & Procedures for Trust & Endowed Fund Management

Importance of the Annual Attestation

- McMaster is grateful to many donors and funders for supporting priorities vital to the University's mission
- As stewards of these gifts, we have a responsibility and obligation to spend in accordance with the donors' direction and in a timely manner.
- Trust Fund Administrators have the responsibility and obligation to spend in accordance with University Policies and Procedures.



Market Impact on Annual Allocation

Market Impact on Allocation

- Annual allocation for trusts given out in July
- Three types of allocations can occur depending on when the trust was created in relation to July

Trust Opened	Allocation Type
Current Calendar Year (eg. January 2020)	Monthly Allocation amounting to 4% of endowment over the 12-month period
Previous Calendar Year (2019)	Composite Allocation based on average market value/book value for last 5 Calendar years
Prior to Previous Calendar Year (Up to December 2018)	Normal Allocation – 4% of monthly average market value for the last five calendar years

Market Impact on Allocation

- As the allocations are based on a five-year average market value for the endowments, large fluctuations in market value are smoothed out
- This allows for allocation amounts to be more predictable than market conditions as the impact of market changes is reduced



Market Update



Questions?