

TRUST FUND POLICY, ACCOUNTING AND REPORTING

Monthly Lunch & Learn Series presented by the FAST Team

February 2024

PRESENTER

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SENIOR BUSINESS ANALYST (TRAINING)

Financial Advisory Services & Training (FAST)



AGENDA

- Define key terms related to trust funds
- Broad overview of endowments as a part of the University's budget
- Explore LTCAP, EFIP funds and their differences
- FIS reports used in managing trust funds
- Who to contact



LEARNING OBJECTIVE



The objective of the session is to provide an overview of Trust Funds, GTFM Policy and FIS reports used to manage Trust Funds.

BIG PICTURE – ENDOWMENTS/TRUST FUNDS AS PART OF THE UNIVERSITY’S BUDGET

Figure 1

The Budget

The Four Fund Groups of the University



[Click here to review the University’s 2023 – 2024 Budget Report](#) from Planning & Budget.

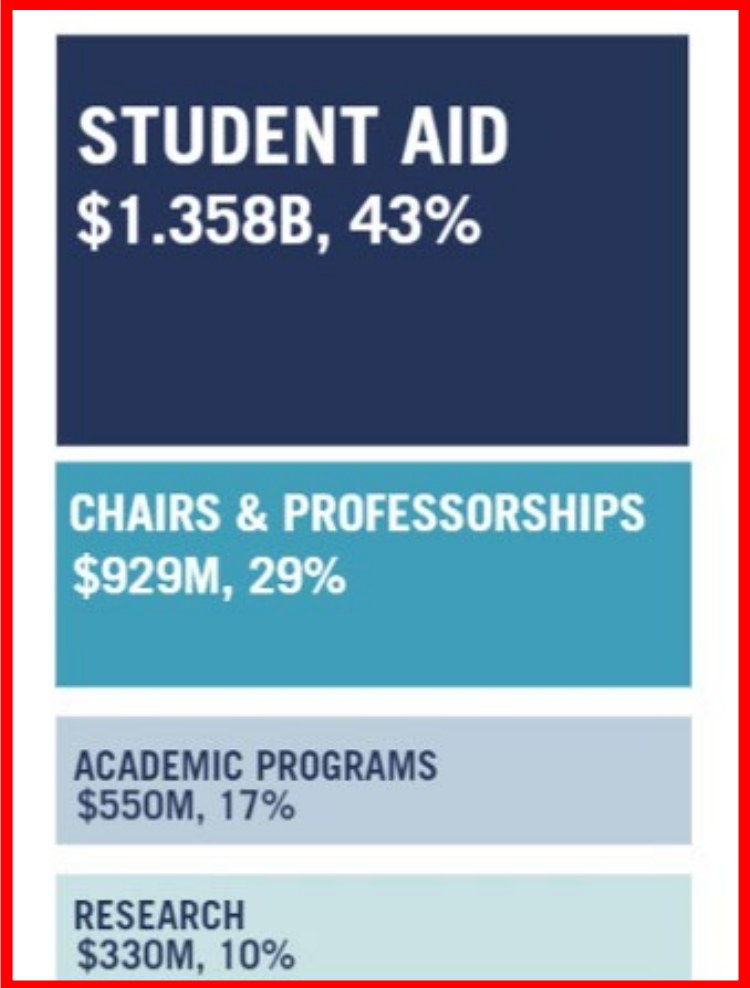
WHAT ACTIVITY DOES TRUST FUNDS/ENDOWMENTS SUPPORT?

ENDOWMENTS

AT FAIR VALUE

\$3.17 BILLION
APRIL 30, 2022

Annual payout ranges from 3% to 5% of the market value with a target of around 4%.



DIVISIONS INVOLVED IN MANAGING TRUST FUNDS



Donations can be made to the University, or to specific colleges or faculties that donors/alumni have a long-time affiliation with.

Departments that are involved with Donations Management are:

- Division of University Advancement (DUA) – Donations Management
- Advancement Divisions within Departments and Divisions
- Central Financial Service – Trust Accounting
- Departmental administrators within colleges or faculties
- Estate and Trust Officer
- Counsel (Business Affairs and Advancement)

DEFINING TERMS



Trust Fund	A term generally used to refer to restricted funds OTHER than research awards, student awards and non-research grants and contracts.
Endowment	<p>Funds invested to generate income in perpetuity for the support of endowed chairs and professorships, academic programs, lectureships.</p> <p>The funds provided by external donors may be matched by the University depending on the terms and conditions of the fund.</p>
Expendable Funds	Trust funds OTHER THAN endowments, which can directly be used for purposes as designated by the donor. These can also be invested to earn interest
Donation	funds with a general or specific purpose other than research awards, student awards and non-research grants and contracts.
Long Term Capital Appreciation Pool (LTCAP)	Unitized investment pool consisting of endowed Trusts Funds or other funds (either permanent or long-term).
Expendable Funds Investment Pool (EFIP)	Represents all expendable funds, which are pooled for investment purposes until the funds are required for expenses.

LONG-TERM CAPITAL APPRECIATION POOL (LTCAP)

LTCAP represents the pooling of invested assets accumulated by or donated to the University for endowed purposes, and are invested by Restricted Funds and Ancillary Accounting (i.e. Trust Accounting) in FSD.

These are structured similar to Mutual Funds and are invested with a long-term horizon.

LTCAP consists of:

- Endowed Trust Funds
- Other funds of permanent or long-term nature
- Investments by other entities (e.g., university affiliated organization)
- Funds that have the University as a beneficiary

NOTE: Fair market value of an LTCAP unit is set each month, calculated as the market value of all the investments in the pool, divided by the total units held. At the beginning of each month, new funds can be purchased at the prevailing market unit rate.



Example:

An endowment fund has **donations of \$200,000**; therefore \$200,000 had been added to the LTCAP which purchased 1,025.64 unit (i.e. \$195 per unit) in March.

At May 1, the market value per unit was \$200. The endowment market value at May 1 is \$205,128 (1,025.64 units x \$200).

LTCAP– BREAKING DOWN THE NUMBERS

Endowments/LTCAP

As per the [University’s 2023 Endowment report](#), the total endowment pool is approximately \$3,267,000,000. This is comprised of 12 million units and a fair market value of \$265.92 per unit.

For fiscal 2024 ([see memo sent Monday, Feb 26th](#)), the projected LTCAP endowment payout rate will be **\$9.97 per unit (\$115 million to beneficiaries)**, which represents 4% of the 5-year average market value of the endowment.

HIGHLIGHTS Year Ended April 30, 2023 (with comparative figures at April 30, 2022) (millions of dollars)

	2023	2022
Total Endowments:		
Fair value	\$ 3,267	\$ 3,167
Change from previous year:		
Endowed donations and grants	\$ 55	\$ 57
Transfers from University’s unrestricted funds	\$ 22	\$ 23
Investment income	\$ 175	\$ 85
Fees and expenses	\$ (37)	\$ (38)
Allocation for spending	\$ (115)	\$ (110)
Total change for the year	\$ 100	\$ 17
Endowments in Long-Term Capital Appreciation Pool (LTCAP):		
Proportion invested in LTCAP	99.38%	99.35%
Number of units in LTCAP	12,210,475	11,911,777
Fair value in millions	\$ 3,247	\$ 3,146
Fair value per unit in dollars	\$ 265.92	\$ 264.12
Allocation for spending per unit in dollars	\$ 9.55	\$ 9.36
LTCAP time-weighted net returns*	4.3%	1.5%

EXPENDABLE FUNDS INVESTMENTS POOL (EFIP)

EFIP funds is an investment pool that contains **expendable funds (i.e., funds that will be spent)**, and are committed to earn interest to the extent they have not been committed for other purposes.

It excludes departmental operating funds, endowment funds, which are part of the LTCAP.

EFIP funds include cash for:

- Operations
- Capital projects
- Ancillary operations
- Expendable donations
- Expendable payouts from endowments



If the terms and conditions of the trust period, expendable funds may also be invested for a period of time (e.g. minimum of 3 months) in order to increase the earning power of the funds if they meet a set of conditions. [Visit this policy page to learn more.](#)

ESTABLISHING A TRUST FUND

- The donors' terms and conditions are communicated via bequests, wills, agreements or letters of intent with the coordination of the Estates & Securities Officer (SDO).
- Divisions requesting the set up of a new trust fund must complete the preliminary summary sheet (i.e. donor's terms and conditions, instructions on internal management of funds).
- Donations Management will review the request and the terms and conditions of the intended donations for compliance with University guidelines.
- Donations Management creates and distributes the Summary Sheet that outlines the finalized terms & conditions of the donation.
- Donations Management (DUA) creates a new fund in AMS when the minimum requirements have been met.



NOTES:



- estimated donations should be reasonably large to warrant the set up of a new account
- Unrestricted donations can be deposited into existing departmental discretionary trust funds.
- Small restricted donations can be deposited into existing trust funds with similar restrictions.

SETTING UP TRUST FUND BUDGETS



Each donation/endowment should have a separate Trust Fund account so that the appropriate restrictions can be applied.

EXCEPTION: Unrestricted and small restricted donations can be deposited into existing trust funds with similar restrictions.

Example scenarios when a trust fund expense budget is set up by FSD:

- Expendable donations are received OR
- When investment income from LTCAP or EFIP are redistributed in April ([see memo](#))

TRUST FUND BUDGETS IN FIS – HOW ARE THEY GENERATED?



Expense Budgets for Trusts Funds are established based on the Revenues received (i.e. donations, investment income, other revenues).

- the budget is updated automatically via the system for all donations received and investment income earned
- for all other revenues the Trust Accounting department will review the revenue and determine if the budget should be updated based on the terms of the Trust Fund

Various factors can cause the Expense Budget to not equal the total Revenue:

- Endowed donations which are not available for spending
- Inappropriate revenues deposited to trust accounts

BUDGET TRANSFERS



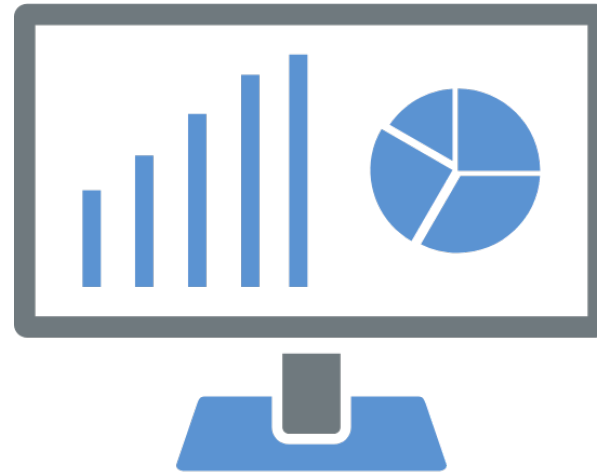
Transfers between restricted funds and another fund group (i.e. operating, capital and ancillary operations), referred to as **interfund transfers**, require Business Board approval when they have not been approved within the annual budget process.

Transfers are not recommended due to poor accountability to donors, and it is encouraged to spend directly from the restricted Trust Fund.

However, the Provost has been authorized to **approve transfers of operating funds to restricted funds up to \$1 million per instance (i.e. University matching as per agreement)**.

If a transfer is required, contact the [Restricted Fund and Ancillary Accounting team in Financial Services](#).

TRUST FUNDS AND FIS



DOCUMENT NUMBERS/TYPES IN FIS THAT IDENTIFY TRUST FUNDS POSTINGS

FIS entries related to endowments can either originate from the ARBOR, DUA's donor management system, or posted directly in FIS by Financial Services.

Here are some common FIS document numbers related to trust funds.

Originating from ARBOR

Document #	Doc Type	
82XXXXXXXXX	VA - Gift Payment	One time only (OTO) donations
83XXXXXXXXX	VB - Pledge paymnt	Donation pledges
84XXXXXXXXX	VC - Match gift	Corporate matching donations
85XXXXXXXXX	VD - Membersh ip	One time only retroactive OSOTF postings

Originating from FIS

Document #	Doc Type	
33XXXXXXXXX	SR - Rel Held Donation	Represent the release posting form donations on-hold status to the expendable/endowed status for donations
79XXXXXXXXX	VF - New Match	Represent retroactive matching postings for donations.



[Click here for a full list](#) and description of FIS document number ranges and types.

FIS GENERAL LEDGER (G/L) ACCOUNTS RELATED TO TRUST FUNDS

G/L Account	Commitment Item
747000	Donation:Expendable (DONAT-EXP)
747010	Donation-on-hold:Expendable (DONAT-EXP)
747050	Donation - Gifts in Kind (DONAT-EXP)
747100	Donation:Endowment (ENDOWMENT)
747110	Donation-on-hold:Endowment (ENDOWMENT)
747200	Expendable Gift annuity (DONAT-EXP)
747210	Endowed Gift annuity (ENDOWMENT)
747300	OSOTF:Endowed Donations (ENDOWMENT)
747400	Endowed Grant - Research (ENDOWMENT)
791315	Expendable Matching (MISC-CONTR)
791316	Endowment Matching (ENDOWMENT)
610030	Central Matching (ENDOWMENT)

FIS REPORTS FOR MANAGING TRUST FUNDS

Various FIS reports are used to manage Trust Funds/Endowments:

ZFM1 – Funding: Funds Center or Fund report

Real-time report that displays trust fund budgets, Commitments, Actuals, revenue variance and funds available.

It also shows LTCAP units.

ZFTR056D – Greybook Download Report

Used to obtain a summary of restricted funds by faculty/division or department.

Includes the **opening and closing balances of endowments and expendable funds.**

ZDFR – Donor Financial Report

- Detailed output
- Summarized output
- Senior Development Officers

Assists in tracking of the Donor Financial Report through the stages of reconciliation, production, and distribution.

They are used by business officers/financial officers, senior development officers and advancement staff, and monitored by FSD to track outstanding items

ZFTR100 – Student Award Information Report

Provides information related to student awards from ARBOR, Student Information System and FIS.

It is used to view the details of student awards, verify the DFR and reconcile accounts. The report is updated nightly from ROSI.

ZFM1 – FUNDING: FUNDS CENTER OR FUND REPORT ENDOWMENT

University of Toronto
BCS Funding:Funds Center or Fund

Page : 1 of 1
Program : ZFTR001
User : PARAMRAM
Date : 28/02/24
Time : 00:02

FM area: UOFT Fiscal year:
Budget-version: 0
Funds Center: 155629 Merit Miscellaneous
Fund: 326882 NASCH , SCHPS
Start date: 22.04.2012 End date: 31.12.2999
Sponsor:
Title of research:
Message:
No. of LTCAP units as of 01.02.2024: **15,608.47**

of LTCAP units purchased

Commitment item	Budget	Commitments	Actuals	Total Commitments/ Actuals	Revenue variance/ Funds available
Revenues					
EXPENDABLE	0.00	0.00	33,219.13-	33,219.13-	33,219.13
INVEST-INC	0.00	0.00	1,155,107.54-	1,155,107.54-	1,155,107.54
ENDOWMENT	0.00	0.00	2,938,569.44-	2,938,569.44-	2,938,569.44
TRANSFERS-REV	0.00	0.00	1,155,307.54-	1,155,307.54-	1,155,307.54
Total Revenue :	0.00	0.00	5,282,203.65-	5,282,203.65-	5,282,203.65

Expendable budget/payouts

Expenditures					
EXPENSE-S	2,343,634.21	0.00	2,190,000.00	2,190,000.00	153,634.21

ZFM1 – FUNDING: FUNDS CENTER OR FUND REPORT EXPENDABLE

FM area: UOFT Fiscal year:
 Budget-version: 0
 Funds Center: 109121 Alumni Office
 Fund: 416196 ANNUAL FUND
 Start date: 01.05.1995 End date: 01.01.2999
 Sponsor:
 Title of research:
 Message:
 No. of LTCAP units as of 01.02.2024: 0.00

Commitment item	Budget	Commitments	Actuals	Total Commitments/ Actuals	Revenue variance/ Funds available
Revenues					
EXPENDABLE	0.00	0.00	446,069.83-	446,069.83-	446,069.83
EXTERN-INC	0.00	0.00	40.77-	40.77-	40.77
INVEST-INC	0.00	0.00	13,032.07-	13,032.07-	13,032.07
MISC-CONTR	0.00	0.00	74,946.00	74,946.00	74,946.00-
DONAT-EXP	0.00	0.00	4,145,378.27-	4,145,378.27-	4,145,378.27
Total Revenue :	0.00	0.00	4,529,574.94-	4,529,574.94-	4,529,574.94
Expenditures					
EXPENSE-S	4,529,574.94	60,129.83	4,135,622.71	4,195,752.54	333,822.40
Net Totals :	4,529,574.94	60,129.83	393,952.23-	333,822.40-	4,863,397.34

Total expendable budget.

If there is a difference between the total Revenue (i.e. allocation from investment pool) it could be due to:

- Lag in updating the Expense budget as part of the nightly program
- Departmental error in depositing the donation instead of going through DUA/FSD

GREYBOOK REPORT – DIVISIONAL/FACULTY SUMMARY OF ENDOWMENTS

The ZFTR056D – Greybook Report provides a summary of restricted funds by faculty/division or department.

Greybook - Download and report



University of Toronto

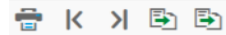
Restricted Funds
Faculty of FIS
January 31, 2024

	Inv. Units 01.01.2024	Endowment (and Designated Endowment) Funds			Balance 31.01.2024	Balance 30.04.2023	Donations	Grants and Contracts
		Balance 30.04.2023	Donation/ Grants	Transfer/ Gain(Loss)				
GHAZ, MAT		295557						
477755 NHP Planning Grant		215155						
MUNTE, ROB		215155						
477755 NHP Planning Grant								
EPIC, NESS		277672						
478853 Mozi Ta Research Gnt					37,176.31			
MAYER, ROBERT		258574						
476621 EPIC Res Mobil Award								
Eng & Dra		131315						
476426 BSH: IDDEN STORIES					1,748,193.52			
Anthro		101341						
472139 MAYE HERITAGE FUND					6,600.84			
Biology		103329						
472155 REIS LAB-VERTEBRATE					528.65	50,000.00		
Biomedical Comm		130165						
471786 SCI VISUALIZATIO					20,242.26	5,000.00		
Chem/Phys		103332						
473217 RESEARCH FUND					27,048.00	20,744.00		
473232 UNNING FUND					302,813.76	1,645.00		
IC		162606						
422765 GOOG E AMI					37.84			
Math/Comp		106335						
472236 DRIVING SIMULATN RSC					100,216.00			
PAC		107260						
470801 PAC RSCH KPI					4,646.08			
Psychology		106330						
474424 HUN KARAK					2,159.74			
* Totals for: Research Trust Funds						2,249,663.00	77,389.00	

ZDFR - DONOR FINANCIAL REPORT

The ZFTR056D – Greybook Report provides a summary of restricted funds by faculty/division or department.

Greybook - Download and report



University of Toronto

Restricted Funds
Faculty of FIS
January 31, 2024

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GHАЗ, MAT		295557						
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EPIC, NESS		277672						
478853 Mozi Ta Research Gnt					37,176.31			
MAYER, ROBERT		258574						
476621 EPIC Res Mobil Award								
Eng & Dra		131315						
476426 BSH: IDDEN STORIES					1,748,193.52			
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					2,249,663.00	77,389.00		

WHO DO I CONTACT?

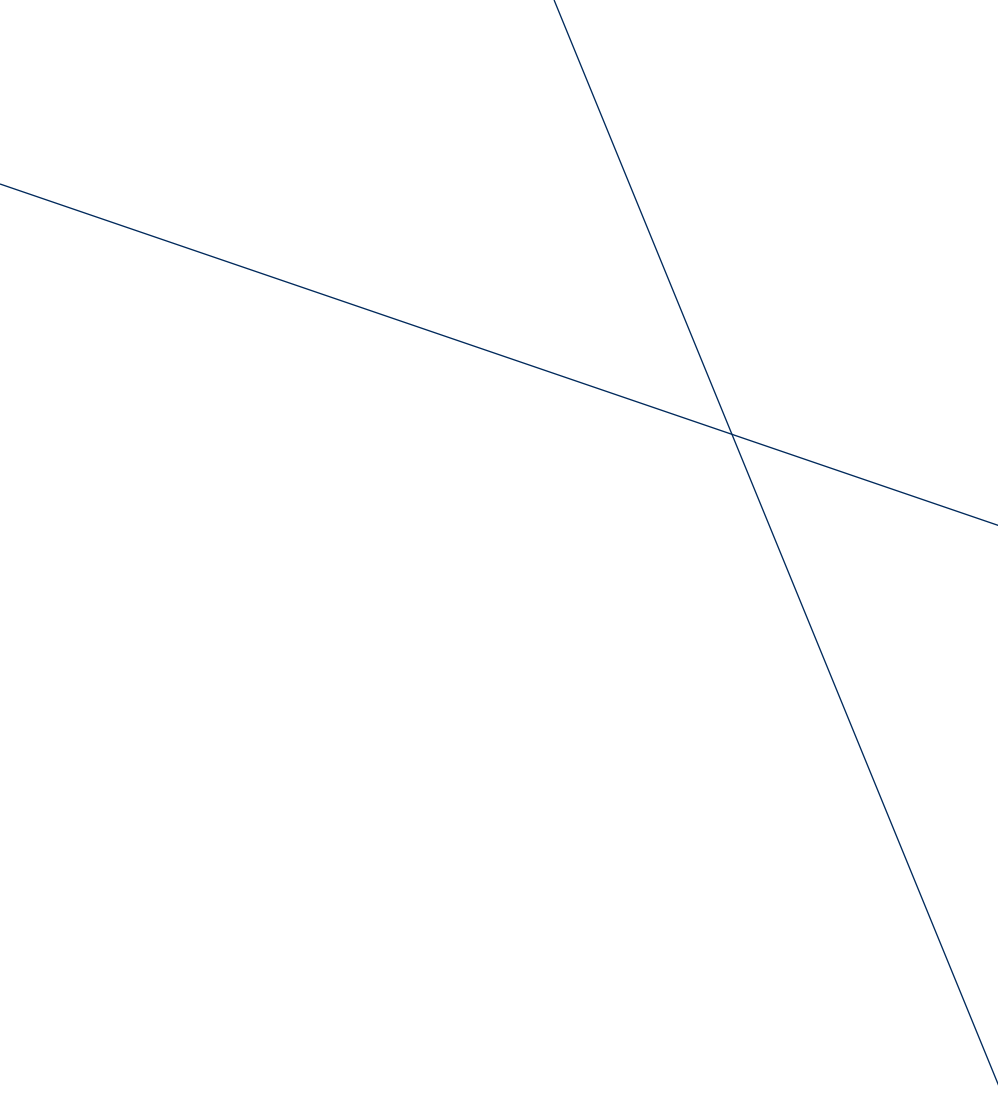


FAST Team

For question regarding **FIS reports**, please contact your [FAST Team representative](#).

Trust Accounting – FSD

Visit the [Financial Service Contact page](#)





THANK YOU!