

## **F33.0 TRUST AND SPECIFIC PURPOSE FUNDS**

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### **GENERAL**

The *Society* is the recipient of a wide variety of trust and specific purpose, or restricted funds. These funds may include gifts, grants, awards, or contracts and agreements with individuals, businesses, corporations and foundations. Funds commonly are received in the form of cash, cheque or donations in kind. Funds can be endowed, where only the interest earned on the donation is expendable, or the donation can be totally expendable. The degree of restriction is dependent on the desire of the donor. In general, trust and specific purpose funds are donated for specific purposes by documents such as a deed of trust or will. Typically these funds are administered, accounted for and reported individually so that the intended purposes and terms of the donation are followed.

The Board of Directors of the *Society* may also establish trust and specific purpose funds. These funds may be created from the general revenues of the *Society* or from non-restricted donations. These types of funds are sometimes referred to as quasi-endowment funds, because the Board of Directors may reverse their initial decision, to set up the endowment.

The Board of Directors may also choose to set aside special expendable funds for management purposes. These funds are often referred to as Designated Funds, and may include special funds held for safekeeping by the *Society*, for other groups or individuals.

### **INFORMATION REQUIREMENTS**

To properly discharge the obligations of a trust, specific purpose or restricted fund, the *Society* will document the following information for each fund:

1. The detailed purpose of the donation, or revenue, used to create the fund.
2. If the donation used to create the fund, was not in the form of cash, or a cash equivalent, then the market or assessed value of the donation must be reported along with an accurate description of the asset received.
3. The principal amount of the donation must be reported, and whether or not the principal amount is endowed, or expendable. If the principal is endowed, then the disposition of interest earned on the principal must be detailed.
4. The address of the client or sponsor must be reported, as well as the address of the office to which reports or any other acknowledgement should be sent, as per the terms of accepting the gift.
5. The starting date of the agreement, the period, and a specified termination date.
6. The disposition of any remaining balance in the fund at the end of a specified term must also be stipulated. This information will assure that the fund is appropriately closed and cleared into the accounts of the donor, the sponsor and or the *Society*.

Any other instruction that would promote the efficient administration of a fund should also be included.

The *Society* is held responsible by government agencies to collect and remit income tax, Canadian Pension payments, Employment Insurance and other statutory benefits, as the paying agent. These responsibilities must be taken into account when special purpose funds, or other such funds, are established to fund or help fund, the personnel costs of the *Society's* employees.

#### **ACCOUNTABILITY**

Trust and special purpose funds are recorded and maintained in a separate ledger by the *Society's* accounting office.

The accounting office is responsible for:

1. Assigning a unique identifying number for each trust or special purpose fund. These unique numbers help associate the fund with the terms and conditions of the deed of trust, will, or other document of agreement under which the fund was created, and will thereby help assure that the terms are being followed.
2. Establishing the ledgers and initiating the methods necessary to accurately and effectively record and report the financial activities of the fund to donors, sponsors and the *Society's* Board of Directors.
3. Ensuring the financial reports are in the manner described within the terms of the deed of trust, will, or other document of agreement.
4. Maintaining files and records in sufficient detail so as to make them suitable for internal, external, and corporate or government audit.
5. Ensuring that invoices and other claims are paid by the fund within appropriate time limits, and that the accounts receivable due to the fund are collected and credited to the fund.
6. Corresponding with appropriate agencies and clients of the *Society* to discharge the above mentioned responsibilities.

#### **SAFEGUARDS AND CONTROL**

Managing restricted funds requires a high level of control and this needs to be considered when funding agreements are being negotiated with donors and sponsors. The accounting office has developed the following reports and routines that will help safeguard the assets of the *Society's* restricted funds, and ensure that minimum audit requirements are met, or exceeded.

## **REPORTS AND STANDARD STATEMENTS**

1. Expenditures and revenues by line item and source.
2. Current expenditure and revenue totals.
3. Month end expenditure and revenue totals.
4. Fiscal year end expenditure and revenue totals.
5. Year over year comparatives (five year maximum).
6. Opening fund balance for start of new fund year.
7. Budget allotment (if applicable).
8. Current unexpended fund balance.

If a trust or special purpose fund is over spent at the end of a fiscal year, the department responsible for managing the fund, may be required to make up the difference from their own department.