

GUIDELINES
Financial Administration of
Fund 600 Awards Cost Centres
AWARDS - Endowments and Trusts

Jointly prepared by Treasury, Finance and Scholarships and
Bursaries, Student Financial Services

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Overview

Financial administration guidelines for Fund 600 awards cost centres (CC) were established to streamline the administering of awards. The intention of this document is to standardize processes, assist stakeholders and cost centre managers (CC Managers) and support the fulfillment of accountability standards for awards management.

The role of the stakeholders and CC Managers of Awards and Fund 600 cost centres are summarized in the table below:

STAKEHOLDERS	PROCESSES
Scholarships & Bursaries (<i>Student Financial Services</i>)	<ol style="list-style-type: none"> 1. Awards Approval 2. Awards Management 3. Awards and Trusts Set Up 4. Awards Posting 5. University Scholarships Monitoring 6. Awards Reporting to Board and Senate
Faculty of Graduate Studies	<ol style="list-style-type: none"> 1. Graduate Awards Programs 2. Graduate Awards Reporting
Development (<i>Advancement</i>) Development Officers (<i>Faculties</i>)	<ol style="list-style-type: none"> 1. Fund Raising 2. Donor Stewardship 3. Donor and Community Reporting
Gift Processing (<i>Advancement</i>)	<ol style="list-style-type: none"> 1. Endowments Set Up 2. Donations Handling 3. Allocation of Designated Gifts
Administrators, Financial Officers and Executive Officers (<i>Faculties</i>)	<ol style="list-style-type: none"> 1. Awards Budgeting 2. Expenditures Reporting
Financial Reporting & Controller's Office (<i>Finance</i>)	<ol style="list-style-type: none"> 1. Financial Records Management 2. Financial Reporting 3. PeopleSoft Controls and Oversight 4. eReports Access and Controls
Treasury Department (<i>Finance</i>)	<ol style="list-style-type: none"> 1. Annual Distributions (Endowments) 2. Faculty Trusts Set Up 3. Fund 600 Cost Centres Systems Set Up 4. Endowments Management 5. Endowments Reporting

Fund 600 Cost Centres

Gifts designated for specific purposes by donors are classified as externally restricted and are generally held in Fund 600 cost centres (CCs). Donor requests are documented in gift agreements and must accompany the cost centre request set up form. CCs are established to provide an accounting control entity for managing and reporting donations, distributions and expenses over multiple periods. Fund 600 CCs are divided into two types: **Endowments and Trusts**. They are categorized by the gift agreement as

either awards or faculty. In some cases, awards that are initiated at the discretion of the Dean may also be classified in Fund 600 if the funds have originated from donors. Each CC should be set up with a single purpose designation, such as, for a named undergraduate or graduate award.

Rule of Thumb: One Award, One Award Code, One CC. This streamlines administration and oversight of restricted funds in PeopleSoft, Awards Management, and Donor Stewardship.

Two exceptions to the rule: multi-purpose and OTSS Endowment CCs.

Multi-purpose: Multi-purpose CCs may be unavoidable if the donor designates hybrid or multiple purposes of a gift and may not fall neatly into one of the 4 distinct categories in the table below. Fund 600 CCs with multiple purposes (example, two different awards or combined endowment and trust components) require additional oversight and administration.

OTSS Endowment (Family) CCs: A variation arises from government matching program for endowed scholarships. Multiple CCs for a single purpose have been created for those awards composed of donations with matching funds received over a period of years (1997-2011) that were matched successively with OSOTF1 (Ontario Student Opportunity Trust Funds), OSOTF2 and OTSS (Ontario Trust for Student Support) funds. These have been set up in CC series (663, 664, 665); these groups of two to four CCs constitute an “**endowment cost centre family**”. All CCs within the family group share the same name. Administration of distributions and spending from multiple CCs is more complex for CC Managers.

The table below summarizes the four different types of Fund 600 CCs by category, set up, responsible managers and signing authority.

Fund 600	TYPE DESIGNATED PURPOSE	SET UP INITIATED BY	RESPONSIBLE MANAGER & SIGNING AUTHORITY
Endowment	AWARDS Undergraduate Scholarships & Bursaries, etc.; Graduate Fellowships, etc.; Includes Bursaries, Prizes and Medals, etc,	Gift Processing	CC Manager: Executive Officer (Faculty) Primary Signing Authority: Executive Officer (Faculty) Secondary Signing Authority: Registrar
	FACULTY Faculty and Research Activities Academic Chairs	Gift Processing	CC Manager: Executive Officer (Faculty) Primary Signing Authority: Executive Officer (Faculty)

Fund 600	TYPE DESIGNATED PURPOSE	SET UP INITIATED BY	RESPONSIBLE MANAGER & SIGNING AUTHORITY
Trust	AWARDS Undergraduate Scholarships, etc. Graduate Fellowships, etc. Includes Bursaries, Prizes and Medals, etc.	Scholarships & Bursaries	CC Manager: Executive Officer (Faculty) Primary Signing Authority: Executive Officer (Faculty) Secondary Signing Authority: Registrar
	FACULTY Faculty and Research Activities Academic Chairs	Treasury	CC Manager: Executive Officer (Faculty) Primary Signing Authority: Executive Officer (Faculty)

Awards – Fund 600 Cost Centres Set up

Establishing the Award

1. The **Donor** communicates with the Division of Advancement (Division or Faculty Development Officers) and commits to making a gift for a designated purpose.
2. **Gift Agreements** for **Undergraduate Awards** are prepared by Advancement in collaboration with Scholarships and Bursaries and University Counsel.
3. **Gift Agreements** for **Graduate Awards** are prepared by Advancement in collaboration with Graduate Studies, Scholarships and Bursaries and University Counsel.
4. **Award terms** are documented in an **Award Proposal Form** that is completed by the Faculty or by Scholarships and Bursaries.
5. Award Proposal Forms are submitted for awards approvals to Student Financial Services (SFS) per the delegated authority of the Senate Awards Committee. Once the Award is approved, the CC is set up.

Setting up the CC

1. Initiating with the **Fund 600 Cost Centre Set Up Form – Endowments & Trusts.**
 - **Gift Processing** initiates CC set up for Awards that are **endowments** including the node/tree specifications.
 - **Scholarships & Bursaries** initiates CC set up for Awards that are **trusts**.
 - Set up is coordinated with **Graduate Studies** for graduate awards.

- The initiating unit completes the **Fund 600 Cost Centres Set Up Form**, which identifies the Responsible Manager and the Primary Signing Authority. For Awards endowments and trusts, both these roles are automatically assigned to the Associate Registrar.
 - The completed form is forwarded to **Treasury**.
2. Treasury reviews, approves and authorizes the Fund 600 Cost Centre Set Up form, assigning CC numbers, applying naming conventions, coding and establishing node and CC access.
 3. Treasury delivers the approved set up instructions to **Financial Reporting** for establishing the new CC identity in **PeopleSoft**. Financial Reporting further arranges for eReports access to be set up by UIT and sends a confirmation email to all access persons when the CC has been created and is ready for use.

Once the CC is established on PeopleSoft, **donations** as received by Advancement are transferred to the CC.

Documenting Fund 600 Award Set Up: The above processes are typically managed and documented via email with attachments. Certain documents are prepared formally in hard copy as they require signatures of donors and authorized officers. The **key documents** are:

- Gift Agreements for Undergraduate Awards and Faculty endowment and trust funds
- Graduate Studies Gift Agreements
- Award Proposal Forms
- Fund 600 Cost Centres Set Up forms

Awards Administration: Adjudication and Cost Centre Responsibility

Awards include all scholarships, fellowships, bursaries, medals and prizes awarded to undergraduate and graduate students of York University. The oversight for awards falls under the jurisdiction of either faculty/departmental CC Manager, Student Financial Services (SFS), Graduate Studies or a combination.

Adjudication refers to the process of selecting the student recipient of an Award in accordance with the terms of the Award as laid out in documents maintained in the AWM. The terms may be specified by academic merit, financial need or both and may be constrained by faculty/department, Undergrad (UG) or Graduate Studies (GS) or a combination (UG/GS).

Cost Centre Responsibility entails financial oversight, monitoring and compliance with University accounting rules and applies to a cost centre or a group of cost centres.

Faculty Executive Officer: The CC Manager for all awards, scholarships and bursaries will be the Executive Officer (EO) where the Faculty is responsible for selecting the recipients. In some cases, where the Faculty, the Scholarships and Bursaries and or Faculty of Graduate Studies units have joint responsibilities (i.e. shortlisting candidates and/or notifying students), ultimate responsibility for the CC will rest most directly with the area responsible for selecting the award recipient.

Primary Signing Authority: The Executive Officer is designated as the primary signing authority for award cost centre or Unit Director. However, the EO may further delegate the signing authority to others, for example, administrative or financial officers.

Secondary Signing Authority: is assigned to the University Registrar for all award undergraduate, graduate and combination cost centres.

Registrar: When Scholarships and Bursaries (S & B) is solely responsible for selecting the award recipient(s), the CC Manager will be the University Registrar.

Graduate Studies: For Graduate Studies Awards where components of administration may be managed variously by the Faculty, Graduate Studies and Scholarships and Bursaries, in general the Faculty EO is the CC Manager, consistent with the local award recipient selection process. If the recipient is selected by the Faculty of Graduate Studies (FGS), then the FGS EO shall be the CC Manager.

Unit Directors: For awards where the selection of recipient (s) is conducted within an Organized Research Unit (ORU), the ORU Director shall be the CC Manager.

Scholarships and Bursary Role

As a necessary part of its process to oversee all York U awards activities, the role of the Scholarships and Bursaries unit (S&B) is to provide status and periodic reports to the Senate and Board of Governors (BOG). Annually, Scholarships and Bursaries (S&B) conducts random audits of cost centres from across all faculties.

Sequence of Events

The Scholarships and Bursaries (S&B) unit will provide the CC Managers with updated reports in January and at year-end (March). Subsequently, the CC Manager is responsible for monitoring and ensuring cost centres for the following circumstances:

- In January:
 - **Deficit:** Are any of the cost centres in a deficit? Any actions required?
 - **Surpluses:** Is the available balance higher than the allocation?
- At Year end:
 - **Significant Surpluses:** Is the balance higher than 10% of the allocation?

To fulfill its obligation, S&B oversees the following situations:

- **Deficit:** If a cost centre has been put into a deficit, the Faculty will be expected to provide an alternate cost centre from which funds can be transferred to clean up the cost centre
- **Surpluses:** If there are surpluses, faculties may be asked to provide an explanation (i.e. no suitable candidates) or may be asked to increase current award disbursements.
- **Significant Surpluses:** Cost centres with significant surpluses in expandable accounts will be flagged to the CC Manager. The opportunity to capitalize a portion of the balance (increase the principal amount of the endowment) may be proposed to the CC Manager.

Annual CC Accountability Process

Cost centre managers are required to sign off on the year end accountability letter to ensure that all awards across the University observe the University Guidelines Scholarships and Bursaries (Refer to Awards Management Manual, Student Financial Services).

Endowed Awards

Endowments are permanent gifts and are invested in the Endowment Fund as overseen by the Investment Committee of the Board of Governors. Endowments generate annual distributions that are available for spending. Distributions are based on a proportion of investment earnings generated by the long-term returns from the investment program. The investment program is described in detail in the

Statement of Investment Policies and Procedures. The site could be found at:
<http://secretariat.info.yorku.ca/files/20151208-SIPP.pdf>

In general, endowments at York are established with a minimum donation of \$25,000 and many of the University's endowments are valued well above \$1 million. There are over 2,000 endowment cost centres in the fund.

Endowed Awards Administration: The CC Manager and the adjudicating unit who select the award recipient(s) are jointly responsible for ensuring that all funds available for spending have been posted to a student account and properly used. The annual distributions may be used only for the endowment purpose as set out by the donor in their Gift Agreement with York. Endowment status may be verified by confirming that there is an endowment corpus value sitting on the Balance Sheet (Refer to eReports Balance Sheet)¹.

It is very important for the responsible areas and CC Manager to track funding available in their endowed cost centres and to disburse awards **annually**. All awards administrators should have an adjudication process in place and conduct regular reviews to ensure the following:

- Faculty has planned annual spending, is tracking progress and spending is appropriate
- No deficits in the cost centres
- Adjudication procedures are conducted on a timely basis
- Funds are disbursed, posted to STAC and distributed to the students in a timely and efficient manner

Given that the administrator has met the minimum obligation (public value of the award); it is recommended that a cushion of 10% of the annual payout is maintained in the cost centre to allow for potential significant market downturns.

Awards Distribution Example– Current and Planned

Example: Endowment "EER Award" has an annual payout of \$10,000 and typically pays 2 awards of \$5,000 each.

Objective: To maximize award amounts paid to students in expendable account (Statement of Operations) while maintaining sufficient balance to cover 1 year of spending or a 10% cushion of the annual payout in the event of a reduction in the annual distribution due to extreme market conditions.

Scenario	Recommendations
1. Cost Centre Balance = \$10,000	<ul style="list-style-type: none">• Disburse 2 awards at \$5,000 each
2. Cost Centre Balance = \$11,000	<ul style="list-style-type: none">• Disburse 2 awards at \$5,000 each• Keep a cushion of \$1,000 (10% of annual payout)
3. Cost Centre Balance = \$12,000	<ul style="list-style-type: none">• Disburse 2 awards at \$5,500 each• Keep a cushion of \$1,000 (10% of annual payout)
4. Cost Centre Balance = \$20,000	<ul style="list-style-type: none">• Disburse 3 awards at \$6,300 each• Keep a cushion of \$1,100

¹ Note that eReports Balance Sheet for Endowments should be used sparingly as it is shown to permit historical view of the combined York University-York University Foundation endowments prior to the merging of the two Endowment Funds in 2011.

Scenario	Recommendations
5. Cost Centre Balance = \$4,000	<ul style="list-style-type: none"> No award will be given
6. Cost Centre Balance = \$7,000	<ul style="list-style-type: none"> Disburse 1 award at \$5,000 Keep a cushion of \$2,000

Expendable Awards (Trusts)

Trusts are expendable funds derived from donations where the whole amount is designated for spending in specified amounts over a limited time horizon. Trust awards fall into two categories: Term and One-Time Only.

Term Awards: Term award is funded for multiple years (e.g., three or five years) and the donor funds the value of the awards over the specified duration. Funding for term awards may be donated in a lump sum or may be provided in instalments over a specified period or on an **annual** basis for the specified duration. There are some instances where the award is granted before the funding is received. In most cases, pledge reminders for annual donations are sent out by the Division of Advancement.

Term Award Example: A term donation of \$9,000 received upfront is designated for the purpose of an annual bursary established to award \$3,000 per year for a term of 3 years to the selected candidate(s).

One-Time-Only Awards: A donation is received to fund a named award only once.

It is the responsibility of the CC Managers to ensure the following:

- Awards are disbursed in accordance with the gift agreement
- No deficits in the cost centres
- No balance outstanding in the cost centre account at the end of the term.

Combination Awards

Combination awards are a combination of both undergraduate and graduate awards in which the Scholarships and Bursaries and the Faculty of Graduate Studies units have joint responsibilities in adjudicating. Combination awards can be either endowed or trust awards.

Fund 600 Awards Coding Convention

Fund 600 cost centres are recognizable by the code preceding the name of the cost centres. This is generally a truncated form of the award name (given 30 character maximum). The table below summarizes the coding convention.

Type	Code	Description (30 character max)
Endowed Under Graduate Award	EER	EER followed by truncated form of the award name
Endowed Graduate Award	EGS	EGS followed by truncated form of the award name
Trust Under Graduate Award	TER	TER followed by truncated form of the award name
Trust Graduate Award	TGS	TGS followed by truncated form of the award name
Combination - Endowed	EERGS	EERGS followed by truncated form of the award name
Combination - Trust	TERGS	TERGS followed by truncated form of the award name

Awards Systems and Reports

The systems and reports itemized below have been established to support the community. Access can be obtained by sending a request to the appropriate Contact as follows:

<u>Module / Report</u>	<u>Contact</u>	<u>Email</u>
AWM (awards management information)	Karen Warner	kwarner@yorku.ca
Disbursement Reports (awards allocations)	Oana Alexandru	oana_a@yorku.ca
Summary by Awards Reports (endowments review)	Oana Alexandru	oana_a@yorku.ca

INQUIRIES

Any questions regarding Endowments & Trusts, Fund 600 please direct to the Treasury Department.