

# Advancement | UCF Foundation, Inc.

## Accounting for Pledges in the Financial Accounting System

Policy# 7.03

Effective Date: March 29, 2019

Responsible Department: Accounting

### **1. PURPOSE**

In order to accurately reflect University of Central Florida Foundation, Inc. (Foundation) assets, accounting standards require certain pledges to be recorded in the Foundation's financial statements. Government Accounting Standards Board (GASB) requires an entity to record pledges that are probable, verifiable, and measurable at the present value of the future expected pledge payments. Other considerations may apply to the posting of pledges in the Foundation's gift processing and donor recognition systems that are not specifically addressed by this policy.

### **2. APPLICABILITY**

All executed gift agreements or pledge commitments of \$10,000 or more.

### **3. POLICY**

#### **Verified Pledges:**

In order to reflect complete and accurate pledges within the Foundation's financial statements and financial accounting system, all gift agreements or pledge commitments must be submitted to the Foundation's accounting department ("Accounting") for review. If a pledge is determined to be a verified pledge and therefore included in the Foundation's financial statements, Accounting must approve the marking of the pledge as "verified" in the donor database. This communication will be made from the Director of Accounting (or designee) to the Records and Gifts department ("R&G"). By marking the pledge as verified, the pledge will be included in the quarterly pledge reports used by Accounting to record the quarterly pledge adjustments. See Exhibit A for verified pledge criteria.

#### **Write-offs:**

Verified pledges will be written off by Accounting on a quarterly basis in the financial accounting system if the pledge has not had a payment within a 2 year period after the most recent installment due date. Once the pledge is 2 years past due, Accounting will communicate the write-off to R&G and instruct them to remove the "verified" attribute from the donor's pledge. This prevents the pledge from appearing in future reports even if a subsequent payment is made. These subsequently payments (if any) will be recognized when received (cash basis) for conservatism. All pledge write-offs in excess of \$1 million must be approved by the CFO prior to removal of verification. In lieu of write-off (verification removal), the Director of Accounting may apply a 100% reserve of the remaining balance after the 2 year period has elapsed so that the pledge can continue to be tracked by Accounting versus complete removal from the quarterly pledge report.

**Reserve for Uncollectible Pledges:**

A reserve for uncollectible pledges will be recorded and adjusted on a quarterly basis based on the average historical write-off rate. The period for which the average write-off rate is calculated is typically from the beginning of the most recent/current campaign, or a minimum of the past 5 years, depending on the facts and circumstances regarding the makeup of the current pledges currently recorded. New pledges in excess of \$1 million shall be reviewed on a case-by-case basis to determine if an allowance should be applied at the time of the gift based on several factors including giving history, prior fulfillment of pledges, reputation of donor and other applicable qualitative metrics. If it is determined that the pledge does not warrant an allowance based on this review, no allowance will be applied to the pledge. Documentation supporting the conclusion to NOT reserve for pledges in excess of \$1 million should be made in the quarterly pledge analysis.

**Net Present Value:**

All multi-year pledges shall be discounted to present value (NPV) using the risk-free rate in the year the pledge was received and not adjusted in subsequent years. The rate utilized for discounting purposes shall be the 5-year treasury rate at the end of the fiscal year (June 30), for pledges received within that same fiscal year. For quarterly reporting purposes, the rate utilized for discounting pledges received within the current fiscal year, the prior year rate will be utilized throughout the reporting period and adjusted to actual at the end of the fiscal year (June 30).

**4. APPROVAL**

Approval of quarterly verified pledge report analysis, write-offs, reserve, and NPV shall be reviewed and approved by the CFO or designee on a quarterly basis.

**5. CLARIFICATION**

Requests for clarification of this policy should be sent to the Associate Vice President and Chief Financial Officer.



Name: Michael J. Morsberger  
Title: Vice President Advancement and Chief Executive Officer

Revision history:  
Adoption Date:  
Revised:

**Exhibit A – Verified Pledge Criteria**

<b><u>Pledges Recorded in Financial Statements Based on GASB 33</u></b>	
<b><u>Verified Pledge Criteria</u></b>	<b><u>Pledges that are Not Verified</u></b>
Gift designation must be non-endowed	Endowed Pledges
Gift designation to the spendable can be verified.	Bundled Pledges.
Grants Verified by Grantee Organization.	Any pledge where the donor does not have legal control. Pledges paid with Donor-Advised Funds or matching gifts.
Written documentation signed by the donor may be a Gift Agreement, Pledge Commitment or letter or document signed by the donor.	Funds that contain fair market value, "exchange," or "quid pro quo" transactions.
The pledge designation must be specified with either an existing Fund or pending the set-up of a new Fund in which a new project request is pending.	Pledges in which the donor has not specified the gift designation.
The Pledge dollar amount must be specified on the Gift Agreement, Pledge Commitment, letter or document and signed by the donor	Pledges with Contingencies or conditions that have not been met or fulfilled.
The evidence of the pledge should include words such as "promise," "agree," or "will" rather than "plan" or "hope" and <u>include a payment schedule of when donor intends to pay.</u>	Revocable planned gifts such as wills, bequests, and revocable trusts.
The verified pledge date is the date that the promise to give is verifiable and the resources are measurable and probable of collection. This would be the later of donor signature date, last university representative acceptance date or the agreement date.	After two years of non-payment the pledge will be written off in the accounting system ONLY by removing the verification of that pledge in the donor database.
Changes to the original pledge total amount must be documented in writing and signed by the donor. Changes to the pledge schedule may be accepted with email documentation.	Pledges paid via Payroll Deductions.
The donor must be considered to be financially capable of making the gift. It is the responsibility of the develop office to notify Advancement Services if they are aware that the donor can no longer fulfill the pledge.	