

Pledge Processing Manual

I. Purpose

To improve and enhance pledge processing at the University of Kentucky by clearly defining responsible areas and tasks related to pledge processing.

II. Definitions

- *Advancement Fee*: The University assesses a one-time fee on non-endowed gifts to support its advancement initiatives and those of the college(s) or program(s) to which the contribution is directed. www.kentucky.can.uky.edu/ways-to-give/advancement-fee.
- *Comprehensive Pledge Report (CPR)*: A monthly report produced by University of Kentucky Philanthropy (UKP) and distributed to units documenting outstanding pledges, current period pledge activity, and past due pledge payments.
- *Daily Department Notifications (DDN)*: A daily report produced by UKP and distributed to units documenting pledge and payment activity from the previous day's data entry.
- *GASB 33*: Governmental Accounting Standards Board Statement #33 establishes standards related to accounting and financial reporting for nonexchange transactions such as donations.
- *Millennium*: Abila Millennium is the official database used by the University to record giving and donor/prospect activity.
- *Pledge (or Pledge Commitment)*: A gift commitment to be paid at some future period.
- *Pledge Reminder*: A correspondence sent by UKP-Gift Receiving serving as a reminder to donors that a pledge payment is due.
- *Pledge Write-off*: Removal of a pledge from active status. A pledge is subject to write-off if 25 or more months past due, or if a donor has indicated that the pledge schedule is to be changed or otherwise will not be fulfilled.
- *Standard Pledge Form*: The official document produced by UKP or unit gift officers and signed by the donor(s) illustrating the purpose, designation and payment schedule of the pledge.
- *UFS*: University Financial Services
- *UKP*: University of Kentucky Philanthropy
- *UKP-Gift Receiving*: The office within UKP responsible for the documenting, recording, and acknowledgement of gift and pledge transactions to the University.

III. Responsibilities

- A. The Vice President for Philanthropy and Alumni Engagement is responsible for the management, planning, stewardship, and coordination of all University philanthropy efforts and for fundraising services to the University. The Vice President for Philanthropy and Alumni Engagement works closely with the President and the administration in identifying and achieving fundraising priorities of the University. UK Philanthropy provides philanthropic oversight to all colleges, centers, programs, academic and administrative units, and affiliated foundations. The Office provides opportunities and assistance to individuals, corporations, trusts, and foundations who wish to make charitable gifts and charitable grants to the University. In this role, the Office manages certain centralized philanthropy functions for the benefit of the University at large. These include Alumni Relations, Principal and Planned Gifts, Corporate and Foundation

Pledge Processing Manual

Relations, Donor Prospect Management and Development, Fellows Society Recognition, Philanthropy Communications, Annual Giving, and Gift Receiving, which acknowledges and receives all gifts for the University. These central functions are performed in conformity with UK Philanthropy policies and procedures, and Business Procedures Manual E-22.

- B. The Senior Executive Director of Philanthropy Administration shall oversee the execution of the policies and procedures included within this document related to the documentation and reconciliation of the pledge process.
- C. The Director of Gift Receiving shall manage the monthly CPR reconciliation process and coordinate gift receiving efforts with appropriate units across the University.
- D. UKP shall ensure compliance with the following procedures documented in Part V below: Standardized Pledge Documentation; Pledge Reminder Process; Monthly Pledge Documentation and Communication; Pledge Write-offs; and Data Request Form.
- E. UFS shall ensure compliance with the following procedures documented in Part V below: Cash Handling Policies and Procedures for Pledges and Pledge Payments; Excluded Pledges from Revenue/Financial Statements; and Pledge Receivable Allowance.
- F. UKP and UFS are jointly responsible for updating this document as appropriate.
- G. Philanthropy officers/philanthropy representatives are responsible for completion of the standardized pledge documentation form. (Department of Athletics shall complete the addendum as well.) They are also responsible for reviewing the monthly CPR and monitoring collectability of pledges over 25 months past due.

IV. Policy

- A. The University recognizes that an important aspect of fundraising is the ability to accept pledges of philanthropic support to the University.
- B. UFS is responsible for University financial statement reporting and UKP is responsible for the pledge process and sharing/publicizing gift receiving results.
- C. UKP is responsible for:
 - 1. The accurate recording of pledges and payments
 - 2. Sending pledge payment reminders for current and past due payments
 - 3. Monthly reporting and reconciliation of pledges and payments
 - 4. The write-off of past due pledges and payments and
 - 5. Developing and implementing a report request document for University parties for the purpose of data extraction from the Millennium database.
- D. UFS is responsible for:
 - 1. Developing and implementing cash handling procedures related to pledges and payments
 - 2. Financial reporting of pledge data and
 - 3. Determining the appropriate pledge receivable allowance based on the historical pledge collection rate.

V. Procedures

- A. Standardized Pledge Documentation
 - 1. In an effort to document the appropriate and necessary information needed to process a pledge, ensure compliance with Internal Revenue Service (IRS) standards and clearly establish the terms for pledge fulfillment, a university-wide pledge form has been developed.
 - 2. Important aspects of this form include the following:

Pledge Processing Manual

- a. Name, address, and contact information of the legal entity establishing the pledge
 - b. Pledge amount
 - c. Pledge purpose or fund
 - d. Terms of fulfillment, including installment schedule and amount
 - e. Early activation of the endowment (if applicable)
 - f. Method of fulfillment, including check, appreciated securities, or automatic bank draft
 - g. Corporate matching gift information
 - h. Donor recognition considerations
 - i. Public disclosure considerations, including acceptance by the Board of Trustees, publicity considerations and open records requests
 - j. Signature
 - k. A suggested fulfillment period of five years
 - l. A notation that donor advised funds, gifts from private foundations, and corporate matching gifts may not be used to fulfill a pledge established by an individual.
3. This universal pledge form enables the philanthropy officer/philanthropy representative to ensure that all necessary information is obtained in a consistent manner in order to properly record the pledge per Council for Advancement and Support of Education (CASE) protocol and Generally Accepted Accounting Principles (GAAP). The form is designed to allow for personalization based upon the information gathered by the philanthropy representative and engenders conversation with the donor relative to such topics as payment terms, IRS regulation considerations and gift purpose.
 4. The pledge form is designed to accompany a gift agreement, endowment agreement, or statement of intent, all of which document the specific purpose and terms of the gift or pledge.
 5. It is the responsibility of the philanthropy officer/philanthropy representative to gather complete information needed for the pledge form. This information is critically important in order to record the pledge appropriately in Millennium, establish the pledge schedule and determine inclusion within the University's financial statements.
 6. UKP-Gift Receiving will reconcile all new pledge activity on a monthly basis between Millennium and original pledge source documentation in order to ensure all documentation is entered and scanned into Millennium. This is accomplished through monthly pledge documentation and the Comprehensive Pledge Report (CPR) process (see C. below).
 7. Because Department of Athletics pledges require special handling and considerations, an Addendum to the University of Kentucky pledge form has been created. This Addendum is necessary due to the following reasons:
 - a. Athletics only records gifts and pledges on one record due to how they allocate K-Fund points
 - b. The inclusion of language regarding tax deductibility of gifts, as approved by Legal Counsel, is only appropriate for specific Athletics gifts and pledges.
 - c. Athletics gifts and pledge payments are often made via credit card and require form fields for remittance information.
- B. Pledge Reminder Process

Pledge Processing Manual

1. UKP produces pledge payment reminder letters on a monthly basis for all units except Athletics, which manages its own pledge reminder system. UKP pledge reminders are sent to donors based on the established reminder period as set forth by the donor in the Terms of Fulfillment section of the Pledge Form. One month before the pledge payment is due, the pledge administrator sends a list of donors scheduled to receive reminders the following month to the designated philanthropy officer for each college or program. Philanthropy officers have the option to postpone pledge reminders from being sent if special circumstances exist.
 2. If the donor does not make the payment that is currently due, a second reminder is sent. The second pledge reminder lists past due pledge payment information. Also, the reminder offers the donor the opportunity to extend the duration of the commitment or to change the pledge payment terms to meet unpaid obligations. When received by UKP-Gift Receiving, any new pledge terms will be updated in Millennium and shared with unit and/or UKP fundraising staff.
- C. Monthly Pledge Documentation and Communication – The Comprehensive Pledge Report (CPR)
1. In order to verify pledge receivables in the Millennium database, UKP-Gift Receiving produces Daily Departmental Notifications (DDNs), which document all pledge and payment activity the day following data entry. It is imperative that unit recipients of these DDNs, including college/unit philanthropy officers and budget officers, review them for accuracy immediately upon receipt of the report. Errors and omissions are to be submitted to UKP-Gift Receiving for data entry and correction.
 2. In an effort to further validate, document and communicate pledge and payment information, the CPR is sent to college/unit philanthropy officers and to budget officers in units without philanthropy officers.
 3. The CPR documents the following:
 - a. Outstanding (both current and past due) pledges
 - b. Period activity on all pledges
 - c. Past due pledge payments (lapsed payments)
 4. Sections of the report include:
 - a. General pledge information
 - b. Current period pledge activity, including pledge balances, new period commitments, period write-offs, period payments and credits, overages, ending balances and post period adjustments
 - c. Pledge balance aging (payments 1-6, 7-12, 13-18, 19-24 and 25 plus months past due)
 - d. The pledge payment schedule
 5. Pledges 25 or more months past due are subject to automatic write-off (see E. below).
 6. On a monthly basis, philanthropy officers or budget officers associated with each fund for which a pledge has been established are responsible for reviewing the CPR to ensure that pledge information and current period activity is accurate. Around the middle of the month, a Pledge Summary Report specific to a college or unit is distributed to respective staff. An aggregated Pledge Summary for all units is distributed to the Provost, UFS and the Vice President for Philanthropy.
- D. Cash Handling Policies and Procedures for Pledges and Pledge Payments

Pledge Processing Manual

1. If the pledge payment is received in a campus office or by a University representative, the office or representative shall deposit the funds immediately in accordance with the University's cash handling procedures (see BPM E-2-1 Section II.A.2.g). Furthermore, the philanthropy officer or department representative must prepare cash transmittal forms and forward the transmittal with the gift to Treasury Services, in accordance with the University's Policies and Procedures for Soliciting, Receiving, Recording and Acknowledging Gifts (see BPM E-22-1, Section V.A.).
 2. If a signed pledge form is received by a campus office or by a University representative, the office or representative shall submit all documentation related to the pledge immediately (same day received) to UKP-Gift Receiving.
- E. Pledge Write-offs
1. Pledges and pledge payments 25 or more months past due are subject to write-off. Philanthropy officers and budget officers must review respective CPRs and provide the reason to UKP a pledge or pledge payment should not be written off.
 2. Philanthropy officers and budget officers who ask UKP to not write off a pledge or payment will have 90 days to elicit either a payment and/or an updated pledge schedule in writing from the donor. If after 90 days no updated pledge schedule is obtained, the pledge or payment will be written off by UKP. This is consistent with CASE and Association of Advancement Services Professionals (AASP) standards.
 3. Pledges or payments less than 25 months past due, or pledges/payments to be written off outside of the monthly CPR process, should be submitted to UKP with appropriate documentation supporting the reason for the write-off. A Write-off may be requested through the monthly CPR review process by noting the request within the report and by providing adequate justification for the write-off.
 4. UKP has been designated as the process owner for the pledge and pledge payment write-off process.
- F. Excluded Pledges from Revenue/Financial Statements
1. Per GASB 33 requirements, pledges subject to certain donor requirements or restrictions as stated in the gift agreement, endowment agreement, or statement of intent should not be included in accounts receivable (pledge receivable) or gift revenue in the current reporting period. Any payments received for these conditional pledges are recorded as unearned revenue until restrictions have been met.
 2. Decisions related to pledge reporting eligibility criteria within University financial statements are based on the conditional considerations below:
 - a. Characteristics of the recipient
 - b. Time requirements – revenue cannot be reported until all time requirements are fulfilled
 - c. Reimbursements – revenue cannot be reported until actual and allowable expenses are incurred
 - d. Contingencies – revenue cannot be reported until all contingencies are fulfilled.
 3. Pledges entered into the Millennium database are categorized by current year eligibility for proper revenue reporting based on the criteria in Section V.F.2. above. Conditional pledges are coded with a specific solicit code and

Pledge Processing Manual

- are excluded from GASB 33 reporting run by UKP and submitted to UFS on an annual basis as University financial statements are being prepared.
4. Responsibility for determining proper eligibility criteria and ensuring revenue is being reported in the proper period rests with the Senior Executive Director of Philanthropy Administration, UFS and/or their designees.
- G. Data Request Form
1. Requests for data related to areas such as gifts, pledges, payments, credits and write-offs must be made via a Millennium Data Request Form. The responsibility for management of this form and report completion rests with the UKP Director of Information Services. The form includes the information below:
 - a. Reason for data request
 - b. Purpose for data request
 - c. Description of how data is to be used
 - d. Time period for which the report is to be run
 - e. Due date
- H. Pledge Receivable Allowance
1. Annually, UFS shall calculate the estimated amount that may not be collected based on the outstanding pledges as of June 30th each year. This calculation is performed using actual historical collection results in order to provide a reasonable projection of amounts that might not be collected in future years. Periodically, prior estimates should be compared with subsequent results to evaluate the reliability of the process used to develop the estimates.