

Pledge Processing Manual**Pledge Processing Manual****I. Purpose**

To establish responsibilities, policies, and procedures for pledge processing at the University.

II. Definitions

- *Comprehensive Pledge Report (CPR)*: A monthly report produced by University of Kentucky Philanthropy and Alumni Engagement (UKPAE) 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 UKPAE and distributed to units documenting pledge and payment activity from the previous day's data entry.
- Governmental Accounting Standards Board (GASB) Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*: establishes standards related to accounting and financial reporting for nonexchange transactions such as donations.
- *Philanthropy Database (Database)*: The Database (e.g., 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 UKPAE-Gift Receiving which serves 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 terms of their pledge are to be changed or otherwise will not be fulfilled.
- *Standard Pledge Form*: The official document produced by UKPAE or unit gift officers and signed by the donor(s) illustrating the purpose, designation and payment schedule of the pledge.
- Additional definitions can be found in [E-22-1 Soliciting, Receiving, Recording and Acknowledging Gifts](#).

III. Responsibilities**A. UK Philanthropy and Alumni Engagement (UKPAE)**

1. 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. UKPAE provides philanthropic oversight to all colleges, centers, programs, academic and administrative units, and affiliated foundations. UKPAE 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 UKPAE manages certain centralized philanthropy functions for the benefit of the University at large. These include Alumni Relations, Principal and Planned Gifts, Corporate and Foundation Relations, Donor Prospect Management and Development, Fellows Society Recognition, Philanthropy Communications, Annual Giving, Information Services and Gift Receiving, which acknowledges and receives all gifts for the

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- University. These central functions are performed in conformity with UKPAE policies and procedures, and Business Procedures Manual E-22-1 Soliciting, Receiving, Recording and Acknowledging Gifts, E-22-3 Planned Gifts and E-22-4 Fundraising Events.
2. The Executive Director for Advancement Services shall oversee the execution of the policies and procedures included within this document related to the documentation and reconciliation of the pledge process.
 3. The Director of Gift Receiving shall manage the monthly CPR reconciliation process and coordinate gift receiving efforts with appropriate units across the University.
 4. UKPAE 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-off Form, and Data Request Form.
 5. Philanthropy officers/philanthropy representatives are responsible for completion of the standardized pledge documentation form. They are also responsible for reviewing the monthly CPR, monitoring collectability of pledges over 25 months past due, and completing/routing the Pledge Write-off Form when applicable.
- B. 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.
- C. UKPAE and UFS are jointly responsible for updating this document as appropriate.
- D. College/Unit Philanthropy staff are responsible for:
1. Ensuring proper documentation is submitted for accurate recording of pledges and write-offs.
 2. Reviewing monthly comprehensive pledge report for accuracy, submitting feedback/approvals to UKPAE Gift Receiving in a timely manner.
 3. Stewarding donor and monitoring the aging of pledge schedules
- E. College/Unit Business staff are responsible for:
1. Reviewing monthly comprehensive pledge report for accuracy, submitting these feedback/approvals to UKPAE Gift Receiving in a timely manner.
 2. Monitoring the aging of pledge schedules and communicating with the designated philanthropy staff for their unit (or UKPAE Gift Receiving).

IV. Policy

- A. The University recognizes that an important aspect of fundraising is the ability to accept pledges of philanthropic support to the University.
1. All pledges between the University and a donor should be well documented to ensure appropriate tracking, reporting, collection, and acknowledgement.
 - a) Pledge documentation should take the form of one of the following:
 - 1) An official charitable gift agreement between the donor and the university.
 - 2) An official charitable grant agreement between the donor and the University.
 - 3) A UKPAE Pledge Form submitted by the donor.
 2. For endowment pledges \$1,000,000 and above, the endowment agreement will contain a provision legally binding the donor's estate

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- unless an exception is granted by the Vice President for Philanthropy and Alumni Engagement upon consultation with the President and Executive Vice President for Finance and Administration.
3. UKPAE maintains a database of all donor pledges including payment schedules, account allocations, and write offs.
 4. All pledge write offs must be well documented, approved and processed by UKPAE.
 5. Approval by the University Board of Trustees is required for the following:
 - a) In accordance with Governing Regulation II.E.2.d, all gifts and pledges of \$1,000,000 or more paid over five years or less
 - b) Any gifts and pledges in any amount that qualify for matching funds from the Kentucky Research Challenge Trust Fund
- B. Pledge receivables
1. Pledge reports are provided from the UKPAE database annually and are used to calculate the appropriate receivables.
 2. AFRS calculates pledge receivables on an annual basis.
 - a) The discount rate is determined by analyzing the average life of the prior year pledges and utilizing the appropriate percentage in line with Constant Maturity Treasury rates.
 - b) The allowance for uncollectable receivables is calculated based on a pledge aging analysis.
 - c) Pledge receivables are recorded on non-endowment pledges for which no conditions have been placed on the contribution.
 3. Pledge receivables are reported to the IRS on Form 990.

V. Procedures

- C. Standardized Pledge Documentation
1. 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:
 - 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) Method of fulfillment, including check, appreciated securities, or automatic bank draft
 - f) Donor recognition considerations
 - g) Public disclosure considerations, including acceptance by the Board of Trustees, publicity considerations and open records requests
 - h) Signature
 - i) A suggested fulfillment period of five years
 - j) 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.
 - k) A notation that 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.

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3. This universal pledge form enables the philanthropy officer/philanthropy representative to ensure that all necessary information is obtained in a consistent manner 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 officer/philanthropy representative and promotes conversation with the donor relative to such topics as payment terms, IRS regulation considerations, the advancement fee and gift purpose.
 4. The pledge form is to document a donor's commitment to an existing non-endowed gift fund or to establish a new non-endowed account with minimal restrictions.
 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 to record the pledge appropriately in the Database, establish the pledge schedule and determine inclusion within the University's financial statements.
 6. UKPAE-Gift Receiving will reconcile all new pledge activity between the Database and original pledge source documentation in order to ensure all documentation is entered and scanned into the Database. This is accomplished through pledge documentation and the Comprehensive Pledge Report (CPR) process (see C. below).
- D. Pledge Reminder Process
1. UKPAE produces pledge payment reminder letters on a monthly basis for all units except Athletics, which manages its own pledge reminder system. UKPAE 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, UKPAE-Gift Receiving sends a list of donors scheduled to receive reminders the following month to the designated philanthropy officer/philanthropy representative for each college or unit. Philanthropy officers/philanthropy representatives have the option to postpone pledge reminders from being sent if special circumstances exist by contacting UKPAE-Gift Receiving.
 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 UKPAE-Gift Receiving, any new pledge terms will be updated in the Database and shared with unit and/or UKPAE fundraising staff.
- E. Monthly Pledge Documentation and Communication – The Comprehensive Pledge Report (CPR)
1. To verify pledge receivables in the Database, UKPAE-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 business officers, review them for accuracy immediately upon receipt of the report. Errors and omissions are to be submitted to UKPAE-Gift Receiving for data entry and correction.

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2. To further validate, document and communicate pledge and payment information, the CPR is sent to college/unit philanthropy officers and to business 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) Outstanding pledge payment schedule by fiscal year
 5. Pledges 25 or more months past due are subject to write-off (see E. below).
 6. On a monthly basis, philanthropy officers or business 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 and Alumni Engagement.
- F. Cash Handling Policies and Procedures for Pledges and Pledge Payments
1. If the pledge payment is received in a campus unit or by a University representative, the unit or representative shall deposit the funds immediately in accordance with the University's cash handling procedures (see [BPM E-2-1](#)). Furthermore, a 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](#)).
 2. If a signed pledge form is received by a campus unit or by a University representative, the unit or representative shall submit all documentation related to the pledge immediately (same day received) to UKPAE-Gift Receiving at philanthropygiftreceiving@uky.edu.
- G. Pledge Write-offs
1. Pledges and pledge payments 25 or more months past due are subject to write-off. Philanthropy officers and business officers must review respective CPRs and provide the reason to UKPAE a pledge or pledge payment should not be written off. Gift Receiving will provide philanthropy officers the Pledge Write-Off Form for pledges subject to write-off. Philanthropy officers are responsible for the completion of the Pledge Write-Off Form and routing it for approvals.
 2. Philanthropy officers and business 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

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- UKPAE via the Pledge Write-Off Form, complete with appropriate documentation supporting the reason for the write-off, and all necessary approvals.
4. UKPAE has been designated as the process owner for the pledge and pledge payment write-off process.
- H. 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) Acceptance by the Board of Trustees per [BPM E-22-1](#)
 - b) Characteristics of the recipient
 - c) Time requirements – revenue cannot be reported until all time requirements are fulfilled
 - d) Reimbursements – revenue cannot be reported until actual and allowable expenses are incurred
 - e) Contingencies – revenue cannot be reported until all contingencies are fulfilled.
 3. Pledges entered into the 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 are excluded from GASB 33 reporting run by UKPAE 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 Executive Director for Advancement Services, UFS and/or their designees.
- I. Data Request Form
1. Requests for data related to areas such as gifts, pledges, payments, credits and write-offs must be made via a Data Request Form. The responsibility for management of this form and report completion rests with the UKPAE 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
- J. 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 will be compared with subsequent results to evaluate the reliability of the process used to develop the estimates.