



San Francisco State University

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Pledge Policy Overview

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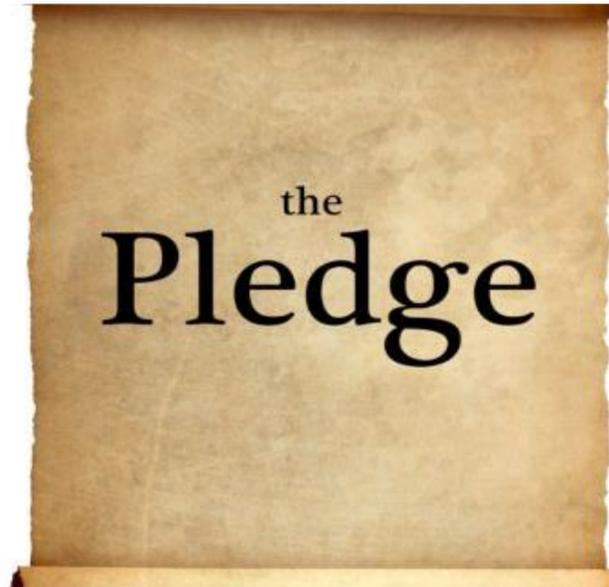
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The Agenda

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Introduction

Why a Pledge Policy?



Introduction

In accordance with the California State University Generally Accepted Accounting Principles (GAAP) Manual, chapter 8.5.2 on Pledge Reporting Guidelines, San Francisco State University's Advancement Services Unit has implemented a policy on oral and written pledges.

We had auditors ask about certain pledges during the last audit and they may ask if an official policy is in place. This Policy was developed as a resource for staff and follows guidelines set forth by the CSU.

[Pledge Policy on Advancement Services Policy Page](#)

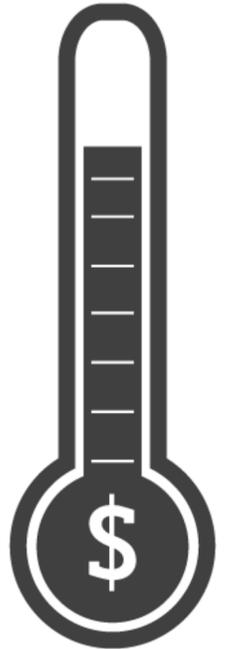
Definition of a Pledge

CSU and CASE Guidelines

What is a Pledge?

A pledge is a commitment to make a future gift.

According to the Council for the Aid and Support of Education (CASE), a pledge can be made only by the entity exercising legal control over the assets to be given.



The pledge is an agreement from the donor to make a donation or donations and must specify an amount, donor intent and pledge schedule to pay a pledge in full.

Things to watch out for:

- The individual cannot make a pledge that includes anticipated matching contributions from an employer or some other source.
- An individual cannot commit funds that may come from a donor-advised fund (DAF) or community foundation.

An enforceable, countable pledge includes only those funds that can be given by the legal entity.

Why Not Donor Advised Funds (DAF)?

The Problem Scenario: Using a DAF to Fulfill a Personal Pledge is Prohibited by IRS Rules

If assets from the DAF are used to fulfill Donor's personal pledge to the third party charity, the prohibited benefit rules found in Internal Revenue Code Section 4967 would have been violated because charitable assets (those held by the public charity as part of the DAF) would have been used to confer a private benefit upon the donor (satisfaction of legal obligation; i.e., the debt).

In many cases, a donor's intent to pay the pledge through their donor advised fund may not be known at the time the pledge is accepted. If the payment is received from the donor advised fund, the individual pledge should be reduced by that amount and the payment will be recorded as a new gift from the entity making the donor-advised gift, with soft credit given to the individual.

For example, if an individual pledges \$100,000 and a public charity or community fund sends a payment of \$30,000, the original pledge must be reduced to \$70,000. The \$30,000 payment should be recorded as a new gift from the community fund, with soft credit to the individual. 

Recording Pledges

When to use a pledge letter vs. a gift agreement

Recording Pledges

The entire section on Reporting Pledges on CSU reports can be found on pages 1 and 2 of the policy

The donor should stipulate the amount, purpose, and payment period in a written document to the institution. The Director of Development (DOD) may also write a letter or email to the donor, outlining the same details based on conversation with a donor, as a bona fide commitment from the donor. It is advisable that the donor sign or agree in writing in a return letter or email.

- Pledge letters can be used when a donor is making a pledge commitment to a fund that already exists.
- In some cases where a pledge commitment of a major gift of funds (over \$25,000) or those which would initiate a construction project occur, the university should consider creating a more detailed pledge or gift agreement that would fulfill requirements for legal enforceability.

IV. SOURCE OF FUNDS

A. The Fund shall be initially established with the following gift(s) and shall be consistent with the Corporation's gift acceptance policy.

- 1. The donor has pledged a total of twenty thousand dollars (\$20,000), with \$10,000 to be donated prior to FY15 end (June 30, 2015) and another \$10,000 to be donated during FY16 (July 1, 2015-June 30, 2016).**

Recording Pledges, continued

On the rare occasion when special circumstances may warrant making an exception, the DOD should write to the individual making the *oral pledge* to document the commitment, place a copy of the correspondence in the donor's file, and gain specific written approval from the AVP or VP of Advancement (or gift acceptance committee depending on size and purpose of gift).

-  Pledge letter templates for endowed and non-endowed pledges are available on the Shared Drive in the [Gift Agreement Template folder](#)

Pledge Commitments That Exceed Five Years

Report/record only the first 5 years for pledges with payment schedules exceeding five years. At the completion of the first five years, additional yearly increments can be counted.

- **For example – If a donor wants to book a 7 year pledge today, we would book it as a five year pledge schedule from 2016 until 2020. We would then enter another pledge into the system starting in 2021 for two years until 2022.**

Oral and Written Pledges

Telethons, Phonathons and Written Commitments

Two Forms of Pledges: Oral and Written

Oral Pledges are usually received by two methods:

1. Telemarketing pledges (telethon or phonathon)
2. Individual pledges (major gift/ask).



Individual Pledges (Major Gift/Ask)

- Individual donors make pledges in response to a major gift ask.
- DODs are responsible for documenting pledges on the Gift Acceptance Form and in a gift agreement (or pledge letter). Pledges are entered into Advance, upon receipt of proper documentation.
- An oral pledge can be recorded in Advance when the DOD sends the individual making an oral pledge a follow-up letter or email outlining the agreement reached, pledge amount, donor intent and pledge schedule. A copy of the written commitment is placed in the donor's file with signed approval of the Associate Vice President (AVP) of University Development (Development) or Vice President (VP) of University Advancement (Advancement) on the Gift Acceptance Form.

Written Pledges

- A signed documented record of a donor's intent to make a gift at a specific amount and duration for payment.
- A pledge should be documented on the [Gift Acceptance Form](#) with donor letter, gift agreement or other approved pledge remittance and forwarded to the Advancement Services Office for recording in Advance.
- The Donor Relations Team generates an acknowledgement letter that confirms the pledged amount and payment schedule in consultation with the DOD (enclose a personal note?).



Pledge Reminders

Open Pledges Need to be Collectible

Pledge Reminders

Reminding donors of their pledges is a critical fundraising function, not only in making sure that the institution receives the funds promised by donors in the pledge commitments but also in ensuring that donors are properly stewarded and cultivated for their next gifts.

- The Donor Relations Team is responsible for pledge reminders for individual pledges over \$1000 not generated by the Call Center. Reminders are sent up to one month prior to the due date.
 - The Donor Relations Team generates the pledge reminders based on the pledge schedule.
- The Gift Processing Team will be responsible for pledge reminders for individual pledges under \$1000 not generated by the Call Center.
 - Gift Processors will generate the pledge reminders based on the pledge schedule.

Pledge Reviews and Adjustments

Monthly Review of Pledges

Pledge Adjustments

Adjustments to pledges include changes in pledge or payment amounts and schedules, as well as cancellations and write-offs or unpaid balances.

- ★ All adjustments to pledges should be submitted to the Advancement Services Office Gift Processing Unit so we can adjust the pledge schedule in AWA/Advance and capture in the files.

Pledge Write-Off Policy

○ Annual Fund pledges less than \$1000

- On or around the 15th of the month, Advancement Services provides a list of unfulfilled pledges to the AVP Development and the VP of Advancement for write-off.
- A pledge is cancelled if a donor fails to respond after three written reminders and one telephone call or if the donor cancels their pledge.
- In the past, we would send the same report to the telemarketing vendor through their FTP website to make sure they omit these pledges from any future pledge reminders.
- The report of written-off pledges is sent to UCorp on the first day of each month.

○ Non-Annual Fund Pledges Below \$1000 and Annual Fund Pledges \$1,000 & Above:

- If no payment has been received within the third reminder or 180 days from the payment due date, the pledge will be considered to have lapsed and will be subject to write-off from Advance.

Pledge Review Policy

Review Process

- A semi-annual review is performed by the AVP of Development and VP of Advancement on May 1 and December 1 each calendar year. Pledges are selected for review based on the following criteria:
 - Less than \$5,000 – Written-off if no payment received in over 2 years and balance is past due
 - \$5,000 - \$24,999 with no payment in over 2 years
 - All pledges of \$25,000 and above, regardless of last payment due
- ★ Please note that the AVP will confer with Directors of Development prior to making any write-offs on major pledges to allow the DOD to contact the donor or communicate any updates or information regarding the pledge.

Questions?

Upcoming Advancement Services Trainings

AWA Advance Upgrade: Features, Bug Fixes and Functionality Updates

- Training dates in late November and early December - TBA

End of Year Gift Processing

- Friday, December 9, 2016 – 11:00AM – 12:00PM – Library Room 244

Contact Us

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