



## ***Pledge Management Guidelines***

Promises to Give &  
Intentions to Give

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## **Pledge Management Guidelines Promises to Give & Intentions to Give**

### **PURPOSE**

This document provides guidance for the acceptance, valuation and disposition of promises to give and intentions to give to ensure orderly expeditious handling for the mutual benefit of donors, West Virginia University (University), and the WVU Foundation, Inc. (Foundation). Promises to give and intentions to give must be carefully monitored from a fiduciary as well as a donor relations perspective.

### **PROMISES & INTENTIONS**

The Foundation administers several types of anticipatory gifts to meet varied donor interests. Anticipatory gifts can be categorized as follows:

- **Promises to Give**
  - Unconditional Pledge
    - ✓ Irrevocable Bequest Expectancy
  - Challenge/Conditional Pledge
  - Recurring Gift
  
- **Intentions to Give**
  - Group Pledge
  - Third Party Intentions
    - ✓ Donor recommends a distribution to the Foundation from a Family Foundation.
    - ✓ Donor recommends a distribution to the Foundation from a Donor Advised Fund.
    - ✓ Donor requests a corporate matching gift to the Foundation.
  - Oral Intentions to Give

Each gift type requires different handling for development and finance purposes.

### **PROMISES TO GIVE**

#### **Unconditional Pledge**

In accordance with the FASB definition, an unconditional pledge is a written or oral promise by a donor to contribute cash or other assets to the WVU Foundation, Inc.. A promise carries rights and obligations – As the recipient of a promise to give – the Foundation has a right to expect that the promised assets will be transferred in the future.

An unconditional pledge is a promise to give that depends only on passage of time or demand by the donor for performance. Verifiable documentation must be in place to provide sufficient evidence that an unconditional promise was made, received, and legally enforceable. Legal enforceability refers to the availability of legal remedies, not the intent to use them. Promises to give with the words such as “promise”, “agree”, or “will” are treated as unconditional pledges.

#### Irrevocable Bequest Expectancy

The Foundation will recognize revenue when it is established that the institution has an irrevocable beneficial interest in estate property whose value is known and distribution is realizable. Typically, the bequest will be credited, recognized or commemorated at the value established at the time of probate.

The beneficial interest is recorded to the Raiser's Edge pledge receivable system for development production reporting, constituent management, revenue accrual, and cash management projections.

### **Challenge/Conditional Pledge**

A conditional pledge is where a condition is imposed on the transfer of assets or a promise to give that specifies a future and uncertain event whose occurrence or failure to occur gives the donor a right of return of the assets transferred or releases the donor from its obligation to transfer assets promised. Future means the event has not occurred. Uncertain is a matter of interpretation and judgment. An example of a conditional pledge is a challenge gift requiring the Foundation to match the pledge dollars before the actual contribution is received from the donor.

A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote. For example, a stipulation that an annual report must be provided by the Foundation to receive subsequent annual payments on a multiyear promise is not a condition if the possibility of not meeting that administrative requirement is remote.

### **INTENTIONS TO GIVE**

- Promises to give to the Foundation that do not meet the requirements for unconditional pledges or conditional pledges are treated as Intentions to Give. Promises to give with the words such as "intend", "plan", or "hope" are treated as intentions to give. Situations where the promise to give is treated as an intention to give include:
  - Ambiguity - The donor communication does not clearly state whether the promise is unconditional or legally enforceable.
  - Group Pledge - A promise to give is made by a select and identifiable group of individuals or family members who collectively desire to pool resources to provide support for a specific commitment.
  - Third Party Intentions - An individual will recommend, suggest, or influence expectancies from a separate legal entity such as a Matching Gift Company, Donor Advised Fund, Family Foundation, Charitable Lead Trust, etc. toward a desired commitment or goal.

### **Third Party Intentions**

A promise to give can be made only by the entity exercising legal control over the assets to be given. An individual cannot legally obligate the resources of a third party such as a matching gift company, a donor advised fund, a family foundation, a business affiliate, a charitable trust, charitable gift annuity, or any other vehicle which would give rise to "self-dealing" by the donor according to IRS law or regulation toward an unconditional pledge commitment.

### **Private Foundations**

An individual who is the founder, substantial contributor, family member, etc. of a private foundation (including a family foundation) is considered a "disqualified person" with respect to the foundation. The satisfaction of their legally binding personal pledge by the foundation could be considered an act of impermissible self dealing and could potentially subject them to adverse tax consequences. A commitment made by a private foundation itself should be recorded as a pledge on the account of the private foundation and not as an intention on the account of the related individual donor.

## Donor Advised Funds (DAF)

A donor advised fund (DAF) is a giving vehicle offered by many investment and mutual fund companies, such as the Fidelity Charitable Gift Fund, and a number of community foundations. Individuals may use a DAF in lieu of a personal foundation. The individual determines the timing and size of contributions to a DAF based on tax benefits, then leaves philanthropic priorities to be considered as a separate question at a future date. While the individual may be allowed to make investment suggestions from an approved list of options, any investment gains to the DAF will be attributed to the DAF rather than the donor.

For tax purposes, a DAF is treated like a public charity, so an individual who uses a DAF as a giving vehicle receives a charitable tax deduction at the time that personal assets (e.g. cash or stock) are transferred to the DAF. The funds are then controlled by the DAF, not by the individual. This means that an individual who gives through a DAF cannot make a legally binding commitment on behalf of the DAF.

However, an individual donor who gives to a DAF may **recommend** that a DAF make a specific contribution to a specific qualified charity, and DAFs will almost always comply with the donor's recommendation. That said, many DAFs will not make multi-year pledges, and DAFs are careful not to make payments on an individual's personal pledges. As the legal donor, the DAF will receive legal credit for the payment. The individual will receive soft credit.

## Matching Gifts

The WVU Foundation, Inc. (the Foundation) accepts donor contributions that are eligible for corporate match. Corporate gift matches serve to maximize the benefit of an individual donor's gifts. To expedite the gift match request process, corporate matching gift forms should accompany match-eligible gifts for processing.

The Foundation will process matching gift forms in compliance with matching gift policies and procedures of the respective company. Normally, corporate policies will not allow matching gifts to be used to reduce individual donor pledge commitments and obligations with the Foundation.

WVU Foundation, Inc. practice is to deposit corporate matching gifts to the Foundation fund where the originating gift was deposited unless directed otherwise by the donor or the company's matching gift policy. In certain situations, matching gift company policies are specific as to the handling of the corporate matching gift requiring different handling by gift processing staff. As a compensating control, the matching gift corporation will receive a receipt from the Foundation detailing the name of the fund where the matching gift is deposited and the tax deductible gift amount. Matching gifts 'count' toward the donor's support of that particular project or program but will not be applied as a pledge payment to the individuals promise to give.

## **Recurring Gifts**

Recurring gifts are paid in installments where the donor agrees to donate a defined amount on a regularly occurring schedule starting at a specific date. Unlike pledges, recurring gifts: 1) do not require the donor to specify an ending date; 2) must be paid by check or electronic payments (e.g. credit card); and 3) are included in Development Attainment reports as scheduled gifts are received. Gift Processing staff establishes Recurring Gifts in the following situations:

- To schedule recurring cash payments via payroll deduction that occur bi-weekly or monthly.
- To schedule payments made via automated credit/debit card charges or bank draft (EFT). For credit/debit card charges the duration of the recurring gift may not extend beyond the expiration date of the card used or three years, whichever comes first.
- To schedule annual recurring payments where the donor has not stipulated a total promise to give amount or a scheduled end date.

Recurring gifts are recognized on a cash basis for development and financial purposes. Recurring gifts may not be designated to pending funds.

## **SUBSTANTIATION REQUIREMENTS**

Donor promises to give and intentions to give can extend over many years where collective memories and recollections fade as personnel change. It is critical that all such promises are formalized in writing to be properly recognized for development, financial, and stewardship purposes and to induce donors to complete gift plans.

### **Donor Payment Confirmation**

When closing a pledge gift, a development officer should confirm with the donor: 1) the legal entity responsible for making the payments; 2) whether third party resources (e.g. Donor Advised Funds or Private Foundations) will supplement payments; and 3) if conditions are placed on the payments. The donor must be considered financially capable of making the gift.

### **Letter of Commitment**

Unconditional Pledges and Conditional Pledges must be documented by written agreement between the donor and the WVU Foundation, Inc. through a Letter of Commitment at the major gift level for proper administration by the Foundation for development and financial purposes. Commitments should stipulate:

- Pledge Amount - The pledge amount the donor personally plans to contribute. This amount excludes third party intentions.
- Payment Schedule – the frequency (monthly, quarterly, or annual) and number of payment installments and specified end date.
- Pledge Designation – Pledge designation as to purpose and fund usually supported by a corresponding donor agreement.
- Donor's name and address.
- Donor identification number.

Pledge periods should not exceed five (5) years. The Foundation President or appropriate Vice President must approve extending pledge terms and conditions if an exception is warranted. Receipting staff will assume that all pledge installments are due at the end date (or five years from the agreement date) if a payment schedule is not provided in writing.

### **Letter of Intent**

A Letter of Intent should be used to document non-binding promises to give. Examples of a non-binding promise to give include a group pledge or when a donor recommends that a third party (e.g. a donor advised fund) make a distribution to the Foundation to support a particular program or project.

Intentions to Give should be documented by written agreement between the donor and the WVU Foundation, Inc. through a Letter of Intent for proper administration by the Foundation for development and financial purposes. Intentions must stipulate:

- Donor Commitment or Intention Amount – The amount a donor promises to give or intends to give.
- Third Party Intention Amount – The amount an individual intends to recommend for third party payment. It must be clear in a Letter of Intent that the donor will rely upon a third party intention to reach a desired gift threshold.
- Payment Schedule – The monthly, quarterly, or annual payment schedule and specified end date
- Designation of Intent – Designation as to purpose and fund usually supported by a corresponding donor agreement.
- Donor's name and address.
- Donor identification number.

Pledge periods should not exceed five (5) years. The Foundation President or appropriate Vice President must approve extending pledge terms and conditions if an exception is warranted. Receipting staff will assume that all pledge installments are due at the end date (or five years from the agreement date) if a payment schedule is not placed in writing.

### **Oral Promises**

Oral Promises to Give are typically made through MountaineerLine campaigns that require an immediate confirmation through the mail.

### **RECORDING PROMISES TO GIVE & INTENTIONS TO GIVE**

The Finance Team maintains official records of all pledge actions (creation, modification, cancellation, write-off, etc.). Gift Processing staff ensure all milestones are observed and that information is shared on a timely basis. Gift Processing staff will record promises to give upon receipt of a completed Letter of Commitment, Letter of Intent or donor letter detailing the same.

### **Unconditional Pledges**

*Development Recognition* – Recognized in Development Production reports as an Unconditional Pledge. The gift date will be recorded at the date the Letter of Commitment is signed by the donor or the Foundation President whichever is later.

*Financial Recognition* - Recognized in the Foundation financial statements as gift revenue for income statement purposes and as a pledge receivable (asset) on the balance sheet. Multi-year pledges are discounted to recognize the present value of the future cash flows using a discount rate commensurate with the cost of money payable over a period of time.

### **Challenge/Conditional Pledges**

*Development Recognition* – Recognized in Development Production reports as a Conditional Pledge. The gift date will be recorded at the date the Letter of Commitment is signed by the donor or the Foundation President whichever is later.

*Financial Recognition* – A transfer of assets made with a conditional promise to contribute them is accounted for as a refundable advance (liability) on the Foundation balance sheet until the conditions

have been substantially met. The assets will be recognized as gift revenue in the income statement when the conditions under which the pledge is made are substantially met.

A conditional promise to give assets in the future is not recognized as gift revenue in the income statement until the assets are received (cash basis). A conditional promise to give assets in the future (receivable) is recorded with an offsetting allowance (liability) to negate any financial impact. The Finance Team can use a conditional promise to give to help project cash receivables.

### **Intentions to Give**

*Development Recognition* – Recognized in Development Production reports as Intentions to Give. The gift date will be recorded at the date the Letter of Intent is signed by the donor or the Foundation President whichever is later.

*Financial recognition* – An intention to give is not recognized as gift revenue in the income statement until the assets are received (cash basis). An intention to give assets in the future (receivable) is recorded with an offsetting allowance (liability) to negate any financial impact. The Finance Team can use non-binding gift intentions to help project cash receivables.

### **PLEDGE COMMUNICATIONS**

The Foundation will actively and systematically communicate with donors regarding their promise to give or intention until 1) donor fulfillment; 2) donor cancellation; or 3) Foundation write off. The Foundation communicates with donors on their promises to give primarily through courtesy reminders, status letters, and auditor confirmations.

### **Monthly Pledge Courtesy Reminders**

The Courtesy Reminder is a stewardship communication provided to donors with a scheduled pledge installment payment due during the month. The Reminder details the initial pledge, payments to date, and the outstanding balance. The Courtesy Reminder protocol is as follows:

- Gift Processing staff will flag a donor's pledge gift record (check the box) to receive Courtesy Reminders according to the installment payment schedule (monthly, quarterly, annually, etc.) when the pledge is created.
- The appropriate Vice President or the President must approve written requests for special handling to override generation of automated reminders or standard monitoring procedures (uncheck the box).
- Gift Processing will send an electronic listing of donors to receive a Courtesy Reminder for the month to Donor Relations personnel for review and consideration between the 5<sup>th</sup> and 10<sup>th</sup> business day of the previous month end close. The electronic file excludes pledges where an installment payment was received during the previous month. *For example – A pledge payment installment is due in October and a pledge payment was received in September – the donor will not receive a Courtesy Reminder on the specific pledge.*
- Donor Relations personnel will: 1) review the electronic file in coordination with the appropriate Vice President; 2) inform Gift Processing to omit a specific Courtesy Reminder from the monthly

- Courtesy Reminders are not generated in situations where the Raiser's Edge pledge module is utilized for recording receivables from an irrevocable beneficial interest held in trust or other instrument by a third party.
- Courtesy Reminders are not released during the months of November or December in lieu of the Year-End Status Letter.
- The Courtesy Reminder directs the donor to respond to Donor Relations staff if the pledge balance is not consistent with personal records.
- Donors receive a Foundation Gift Receipt for each pledge installment payment for tax purposes.

### **Year-End Pledge Status Letters**

The Year-End Status Letter is a stewardship communication provided on behalf of all donors with an outstanding pledge commitment. The Letter details the initial pledge, payments to date, and the outstanding balance. The Year-End Status Letter is subject to the following protocol:

- All donors with an outstanding pledge will receive the Year-End Status Letter.
- Letters are developed and reviewed by the Receipt and Pledge Manager. Letters are mailed as validity checks are completed during the month of November through early December.
- The Year-End Status Letter directs the donor to respond to Donor Relations staff if the pledge balance is not consistent with personal records.

### **Other Communications**

Auditor Confirmations - External Auditors may send Pledge Confirmations to a select number of donors in July or August to test certain assertions as part of the fiscal year-end financial statement audit process.

MountaineerLine Reminders - MountaineerLine Reminders are managed by Annual Fund staff through the Campus Call automated system and are sent 1 day, 30 days, and 60 days from the verbal commitment date. Follow-up Reminders on nonperforming pledges are sent before calendar year end and fiscal year end. *Conceivably, a verbal commitment made in August could receive a Reminder in August, September, October, November, and June of the fiscal year.*

Acknowledgements - Pledge or intention acknowledgements are subject to donor relations and development stewardship protocols. Pledges and expected matching gifts will qualify for donor recognition in appropriate giving level groups.

### **PLEDGE MONITORING**

At the time the pledge (intention) is entered into the Raiser's Edge database, an installment schedule, based on the number of anticipated payments and the beginning and end date of the pledge (intention),

is established. Installment information is used to generate pledge (intention) aging reports and monitor the progress of pledges (intentions) and to identify non-performing pledges (intentions).

The Foundation is responsible for ensuring the viability of pledges or intentions and will cancel, write-off, or modify any nonperforming pledge or intention that does not accurately reflect donor obligations or wishes. The Finance Team will review all pledges or intentions annually to ensure that they accurately reflect the outstanding commitments to the Foundation as of the June 30 fiscal year end. In general, the Foundation will strive to resolve delinquencies within one year of the payment due date.

Periodically, the Development Team will receive a listing of all pledges or intentions that are ninety (90) days past due by college, school, or unit constituency area. It is incumbent upon designated development staff to review outstanding donor commitments, to communicate with donors regarding delinquent pledges, and to notify Gift Processing when pledge or intention circumstances change.

### **Modifications**

Gift Processing should be notified of a change in a donor's ability or willingness to fulfill a pledge or intention. The Prospect Manager or designated development officer will provide Gift Processing with a written notification as to requests to significantly alter the terms and conditions of a pledge or intention. Significant modifications to a commitment amount, payment schedule, or designation must be documented in writing so the recorded pledge and level of recognition can be adjusted accordingly. Documentation relating to minor alterations may originate from either the donor or the development officer.

The industry standard five (5) year pledge may be extended or payments graduated with approval by the Foundation President and/or appropriate Vice President for Development. Gift Processing will make all necessary modifications relating to requested pledge alterations. Pledge overpayments are recorded as outright gifts.

### **Cancellations or Write-offs**

A pledge cancellation (donor-directed) or write-off (Foundation-directed) decision involves a number of factors including stewardship, reputation, financial, University impact, legal implications, etc. The following statements are provided as general guidance but can be overridden when in the mutual interest of the donor, the Foundation, and the University.

Periodically, the Finance Team will provide the Development Team with a listing of all pledges or intentions that should be considered for write-off by college, school, or unit constituency area. As a general rule, the Foundation will consider a pledge for write-off when:

- There has been no activity within the last 5 years.
- Less than 1/2 of the scheduled payments have been received within 7 years of the pledge start date.
- The pledge is 2 years beyond the planned final payment date.

A case-by-case review is made of all delinquent pledges and a determination is rendered to write-off, adjust, or defer write-off of the pledge or intention. Pledge write-off requests above \$25,000 must be approved by the President and/or the appropriate Vice President for Development. The Vice President of Finance and/or designee will authorize Finance Team members to record cancellations or write-offs of all major gift pledges or intentions in financial and development systems.

## Other Items

- MountaineerLine pledges that are nonperforming after the fiscal year campaign ending June 30<sup>th</sup> will be written off on August 15<sup>th</sup>.
- Pledge balances will be written off when the Foundation is notified of a donor's death, unless there are provisions in the donor's will, the pledge document represents a debt against the estate, or the family intends to honor the pledge.
- The stewardship impact of pledge write-offs and cancellations is handled by the Foundation on a case-by-case basis.
- Pledge write-offs and cancellations are not included (netted) in development production reports.
- For financial statement purposes, the Finance Team recognizes a general and specific allowance for uncollectible pledges. The Finance Team will record a specific allowance when the likelihood that a pledge will be uncollectible is probable.
- Pledge write-offs associated with previously assigned naming opportunities will be handled in a manner appropriate to the particular pledge, and on a case-by-case basis by the Foundation President in consultation with the Board of Directors. Such instances may involve the WVU President, the WVU Board of Governor policies and procedures, as well as amendments and/or adjustments to financial statements, bond issuances, etc.
- Executive Management can provide Board Members with summary information on pledge cancellations or pledge write-offs as requested.