PLEDGE POLICIES

Pledges - A pledge is a commitment to give a specific amount according to a defined time schedule.

Multi-year pledges - It is the policy of Auburn University Foundation to record only those multi-year pledges for which the donor has indicated his/her intentions in writing, including the total amount pledged and the payment schedule. Amounts payable within five years of the pledge date will be recorded. Pledges for periods longer than five years require the approval of the Vice President for Development. A pledge agreement must contain, at a minimum, the following:

- Name of the donor(s)
- Amount pledged
- Date and amount of payments
- Any donor restrictions
- A notation that the pledge represents a commitment of the personal assets of the donor and may not include amounts to be received from company matching gift programs, donor-advised funds, or private foundations.
- Donor signature and date

A donor payment to a designation other than that of the pledge cannot be credited to the pledge. If the donor decides to change the pledge amount or restrictions, the pledge will be written off and a new pledge agreement will need to be signed. This includes situations wherein a donor later decides to utilize a donor-advised fund for his charitable giving. Unless the donor cancels his/her pledge, he/she is still expected to fulfill it.

It is the responsibility of the Development Officer to obtain adequate documentation for any commitment s/he receives and to attach it to the Gift/Pledge Payment Transmittal Form (salmon form) when it is sent to Development Accounting to establish the pledge.

In rare instances, a donor who has made a pledge cannot or will not sign a formal pledge document. Oral pledges will not be recorded. A Development Officer can document an oral commitment with a letter to the donor that contains all the elements required for a written commitment, and the commitment can then be recorded.

Because pledges must be discounted to fair market value for financial reporting purposes, it is necessary to have the date and amount of each payment. Pledges will not be recorded until this information is provided. Care should be taken to obtain an accurate payment schedule directly from the donor.
**Uncollectible Pledges** - Only the amount of new pledges that will ultimately be realized should be recognized as revenue. Therefore, bad debt expense will be recognized by annually recording a reserve for uncollectible pledges in the financial records. Pledges should be written off against the reserve (“made historical”) when they are deemed to be uncollectible.

Pledges will be deemed uncollectible whenever payments are missed in two consecutive years. A list of Pledges Scheduled for Termination will be provided to the development officers, the Associate VP and the VP for Development. Donors should be contacted immediately and offered the opportunity to reaffirm the pledge and revise the payment dates for the remaining pledge payments. This documentation should be provided to the VP for Development, who will return them with his list of the Pledges Scheduled for Termination, approving the write-off of those pledges not reaffirmed.

The following past due pledge reports will be generated monthly:

<table>
<thead>
<tr>
<th>Report</th>
<th>Distribution</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missed Pledge Payments</td>
<td>Development Officers</td>
<td>Inform responsible parties when a pledge becomes past due</td>
</tr>
<tr>
<td>Past Due Pledges</td>
<td>Development Officers, Associate VP, VP</td>
<td>Provide responsible parties a list of all pledges more than 90 days past due for investigation</td>
</tr>
<tr>
<td>Pledges Scheduled for Termination</td>
<td>Development Officers, Associate VP, VP</td>
<td>Notify the responsible development officer of his/her pledges that are more than 450 days (15 months) past due and scheduled to be written off within 60 days so that they can contact the donor and obtain a written reaffirmation/revised payment schedule for those that should be kept active.</td>
</tr>
</tbody>
</table>

**Phonathon pledges** – Phonathons run year round. When a pledge is received by a phonathon caller, it is recorded on the donor record and a Pledge Letter is sent the next day containing a return envelope. *For pledges not paid or for pledges that are made in installments, reminders are sent monthly (once they are a minimum of 30 days old) between the 24th and 29th of the month.* This continues for a total of four reminders for unpaid, non-installment pledges. For installment pledges of a varying number of months (2 to 12), the reminders are sent until the end of the installment commitment period. Phonathon pledges that are one year past due, with zero payment, are scheduled for termination and a report is generated by the system and sent to the Director of the Annual Giving for review. Unless an exception is granted based on donor affirmation of the balance, these are terminated at that time.