



POLICIES AND PROCEDURES

Originator: Ken Revenaugh
Subject: Policy on Recording Pledges and Their Solicitation
Date: April 18, 1996

A. BACKGROUND

A new Statement of Financial Accounting Standard #116 (SFAS116) established by the American Institute of Certified Public Accountants (AICPA) has changed how we are to account for pledges. In the past, promises to contribute were not considered to be sufficient to be recorded in the University's books. This was certainly conservative in nature but it lacked the ability to report the success or failure of the Development Department. In the year that the University successfully solicited numerous pledges but had not yet collected many dollars, the financial statements failed to report this outstanding effort. In fact, prior to the implementation of FASB117, even if the pledges were collected, the revenue would not have been recognized until a construction project had been completed, which might be years after the pledge solicitation.

In attempt to balance the above concerns, the AICPA has approved standard #116 which states that legally enforceable pledges may be recorded as income in the year in which we receive the pledge (note that this allows recording income before cash is received). A Pledge Receivable Account and an offsetting account for Allowance for Doubtful Pledges would have to be established. A pledge card must contain specific language that allows it to be legally enforceable. All other pledges cannot be recorded.

It is the opinion of the Administration of Missouri Baptist University that in most foreseeable situations it would be detrimental to our fund-raising efforts to attempt to secure legally enforceable pledges. Therefore, it is our recommendation to not allow this certain language that describes the pledge as a statement of intent only. A donor, however, may make their pledge legally enforceable if they request to do so.

B. POLICY

Solicitations for pledges should clearly state on the pledge form that the pledge is only a "statement of intent". Donors may make their pledges legally enforceable if they wish by stating on the pledge form that the pledge is an "unconditional promise".

C. GUIDELINES

1. Personal or mailed pledge solicitations should only seek a statement of intent.
2. If a donor requests to make their pledge legally enforceable, they may do so and the pledge will be recorded as a receivable on the University books and offset by an appropriate allowance account as needed.