

# Texas Tech University System

## Regulation 04.03

### Promises to Give

Approved: February 16, 2022

Next Scheduled Review: January 2027

#### 1. Purpose.

- a. This System Regulation provides components of the Texas Tech University System with guidance relating to promises to give (“Pledges”).

#### 2. General.

- a. Pledges will be recorded to the Advance database and reported in the Annual Financial Reports of Texas Tech Foundation, Inc. (“TTFI”) and/or Texas Tech University System (“TTUS”) in accordance with terms specified by the donor within the official donor agreement documents. To ensure compliance with financial reporting standards set by the Governmental Accounting Standards Board (“GASB”), reviews and adjustments will be made on an annual basis. Further guidance can be found within GASB Codification Section N50 and System Regulation 04.01 Gift Acceptance.
- b. This regulation does not apply to planned giving commitments.

#### 3. Definitions. Definitions not specifically outlined in this section shall remain the same as those defined in System Regulation 04.01.

- a. Pledge – For purposes of this regulation, a pledge is a promise to make a Gift, as defined in Gift Acceptance Regulation 04.01, with payments occurring at some point into the future in one or more increments.
  - i. Unconditional Pledge – Pledge from a donor that **does not** require the occurrence of a future event before the Pledge is fulfilled. Most pledges recognized by TTFI/TTUS are unconditional and are reported in financials and in Institutional Advancement (“IA”) gift reports.
  - ii. Conditional Pledge – Pledge from a donor that is **contingent upon** the occurrence of a future and/or uncertain event. If the event fails to occur, the donor is released from the obligation. A conditional pledge to give is not reflected in financial reports; however, a Conditional Pledge will be reflected in IA gift reports in the deferred gift category. An example of a conditional pledge is when a donor commits to making payments after construction has begun or the approval by the accrediting agency which is not guaranteed.
  - iii. Non-Binding Gift Intention – A commitment from a donor that is not considered legally binding, where the donor may make payments individually or through a donor advised fund or similar entity. A Non-Binding Gift Intention is not reflected in financial reports; however, Non-Binding Gift Intention will be reflected in IA gift reports in the deferred gifts category.

- b. Advance – Customer Relationship Management database owned by TTFI, which TTFI and IA utilizes to record gifts and pledges.
  - c. Arrears – Pledges that have payment obligations (in part or whole) that were due in a prior fiscal year but have not been paid.
  - d. Fully Past Due – Pledges where the final scheduled payment date has passed, and an outstanding balance remains (e.g., the final payment date is in a prior fiscal year).
  - e. Write Down – The process of making a downward adjustment, in Advance, of a previously established pledge that does NOT completely zero out the initial value promised/recorded. This would indicate that the donor paid at least some portion of the original Pledge amount recorded. Adjustments in Advance flow through to year-end financials for TTUS and TTFI.
  - f. Write Off – Process of adjusting, in Advance, the initial value of a pledge to zero. Adjustments in Advance flow through to year-end financials for TTUS and TTFI.
4. Establishment of Institutional Operating Policies.
- a. Each Component will be responsible for maintaining Institutional Operating Policies (“OPs”) related to pledges. These policies are subject to, and should comply with, the guidelines and policies established under Regents’ Rules and System Regulations, GASB, as well as state and Federal law. Policies should be drafted in cooperation and coordination with Texas Tech University System Administration (“TTUSA”) IA (“System IA”) and the TTUSA Office of the Vice Chancellor and Chief Financial Officer (“VCCFO”). Policies should adhere to the Council for Advancement and Support of Education (“CASE”) standards manual, which provides guidelines for fundraising management.
5. Recognition.
- a. System IA will record and report unconditional pledges, conditional pledges and non-binding gift intentions benefitting TTFI, TTUS or its Components throughout each fiscal year when documents are fully executed.
  - b. Pledges should have written documentation from the donor that specifies, at a minimum:
    - i. the amount of the Gift;
    - ii. restrictions limiting the purpose for which the Gift may be used;
    - iii. the type of asset(s) such as cash, donor advised fund, or cash equivalent (short-term investment securities with maturity periods of 90 days or less) to be gifted;
    - iv. the proposed installments the donor intends, not to exceed 5 years unless approved by the TTUSA Vice Chancellor for Institutional Advancement (“VCIA”) and VCCFO and reported to component CFO; and
    - v. a payment schedule that outlines when TTFI/TTUS should expect to receive each installment. The schedule should be included in the donor gift agreement.
  - c. Agreements should be routed through System IA Legal and Foundation Counsel for review and before the commitment is recognized for reporting purposes.

- d. For specific instances where sufficient written documentation cannot be provided, exceptions may be granted with the prior written approval of the VCIA and VCCFO, with notice, as applicable, to component IA and component CFO.

6. Review and Collection of Pledges.

- a. System IA Financial Services is responsible for sending pledge reminders each month.
  - i. Component IA Offices will be notified before reminders are sent
  - ii. Component IA Offices will be notified as pledges are paid in full
- b. In the third quarter of each fiscal year, System IA Financial Services will review outstanding pledges and provide special consideration and review of any/all pledges with payments in Arrears.
  - i. Pledges that are in Arrears will be forwarded to each Component IA Office for review and to pursue further collection efforts.
  - ii. Components will be directly responsible for coordinating all collection efforts related to payments in arrears, as applicable. Collection efforts should include but are not limited to the following:
    - 1. As applicable/appropriate, Component IA should communicate with and involve fundraising staff in all collection efforts. Furthermore, given the sensitive nature of these tasks, responsibilities related to collection efforts should be added as a primary job function of the fundraiser.
    - 2. Component IA fundraising staff should attempt to make direct contact with the donor to communicate the payment in arrears and if/when necessary, work with donor to establish an updated payment schedule.
    - 3. All communication relating to collection efforts with donor should be detailed in donor contact reports within Advance. Component IA shall provide feedback to System IA Financial Services as part of this process.
  - iii. Pledges with payment dates remaining in the current or future fiscal years may be left active at the discretion of System IA.
- c. Pledges that are Fully Past Due for more than two (2) fiscal years (as of the end of the previous fiscal year) will need to have documentation from the donor for the Pledge to remain active. This documentation should include, at a minimum, a revised payment schedule. If no documentation is provided, and it is apparent to System IA Financial Services staff, in communication with the VCIA and VCCFO and Component IA fundraising staff, that the amounts will not be collected then the Fully Past Due pledge shall be written down or written off.
- d. Pledges related to capital projects, matching initiatives, or endowments not yet meeting the requisite minimum funding level, that are written down or written off will be communicated to each components CFO & Vice President for Advancement and other administrative offices, as needed. Components may need to raise or substitute additional funds to meet debt requirements.

- e. Pledges in arrears that are identified to be written down or written off will be adjusted in Advance before Fiscal Year End by System IA.

## 7. Year End Reporting

- a. A list of outstanding pledges with balances greater than or equal to \$5,000 will be sent to each Component institution's accounting group for entry into Banner.
  - i. The allowance for doubtful accounts calculation will also be included.
    - 1. System IA Financial Services estimates of the allowance for uncollectible pledges receivable are based on knowledge and experience about past and current events and assumptions about future events
    - 2. The allowance calculation is typically the total amount in arrears for each area divided by the total outstanding pledge balance, or one percent (1%), whichever is greater.
  - ii. Consideration will be given to unique circumstances if the calculation is not reflective of actualities. Per GASB Codification section N50, pledges can but do not need to be discounted.

## 8. Annual Reporting Requirements.

- a. System IA Financial Services will communicate the outstanding pledges in Arrears lists to each Component IA office for their review in the third quarter of each fiscal year.
- b. Component IA will respond in writing to System IA Financial Services with recommendations for each Pledge in Arrears, including justifications and documentation.
- c. The VCCFO and VCIA will review and approve Write Offs and Write Downs for current Fiscal Year in August.
- d. The list of Write Downs and Write Offs will be provided to leadership, as appropriate, throughout TTUS and TTFI.
- e. Write Down and Write Off justifications and documentation on efforts to collect shall be retained by System IA and made available to external auditors yearly, as necessary and upon request.
- f. System IA will adjust pledges in Advance following the written approval and instruction of the VCIA & VCCFO.
- g. System IA will identify any pledges that affect capital projects, matching initiatives or endowments that have not met their minimum funding levels and will notify appropriate office(s).
- h. The Outstanding Pledges list will be sent to each Component accounting services groups for adjusting entry(ies) into Banner.

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