
2223 PLEDGE: ESTABLISHMENT OF RESERVE ALLOWANCE

Effective: July, 2003
Revised: March, 2006
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

PURPOSE:

To ensure that the University appropriately records contributions receivable on its balance sheet, and a reserve allowance must be made for doubtful accounts.

POLICY:

The treatment of past due pledges impacts the University's financial position. Pursuant to FASB Statement No. 116, the present value of net unconditional pledges is required to be recorded as an asset on the University's balance sheet and as a contribution on its statement of activities. The methodology for determining net unconditional pledges involves (1) applying a discount to the value of outstanding pledges to adjust for the "time value of money" and (2) developing an estimate of an allowance for the portion of pledges determined to be uncollectible.