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## Donor Contributions

### PROMISES TO GIVE

*Promises to give* (sometimes referred to as “pledges”) are oral or written agreements by donors to contribute cash or other assets to an organization.

### INDICATIONS OF UNCONDITIONAL PROMISE TO GIVE

An unconditional promise to give is a promise whose receipt depends only on the passage of time or the donee's demand for performance. It should be recognized in the period the promise is made, even if it is not legally enforceable. A promise to give may be written or oral, but requires that verifiable documentary evidence exist before the promise may be recognized as contribution revenue.

Written evidence may include items such as written agreements or pledge cards. Evidence supporting oral promises may include the following:

- Tape recordings.
- Written contemporaneous registers.
- Follow-up written confirmations.
- Other means that permit subsequent verification of the oral communication.

Whichever type of evidence is obtained, sufficient documentation of an oral promise should normally include the following information:

- Donor's name, address, and telephone number.
- Amount of the promise.
- Date of the promise and date(s) due.
- Type of assets to be received (cash, securities, property, etc).
- Name of the individual to whom the promise was made.
- Any conditions placed on the contribution.
- Any restrictions placed on the contribution.

*Example 1 - Unconditional promise to give*

Hometown Methodist Church is preparing for a building campaign. The commitment cards given to the church members read as follows:

“God has given us a mission and has called us to reach our community through expanded facilities. In response to God's calling, we will give \$ xxx per week, \$ xxx per month, or a one-time gift of \$ xxx toward the building of new facilities.”

In this instance, the commitment represents an unconditional promise to give and the contribution revenue will be recorded as temporarily restricted contribution revenue in the period the church member makes the commitment.

## INDICATIONS OF CONDITIONAL PROMISES TO GIVE

The following, although not conclusive, are a few factors whose presence *may* indicate the organization has received a conditional, rather than an unconditional, promise to give:

- The promise includes words such as “if,” “subject to,” “provided that,” or “when.”
- The promise calls for specified outcomes to be achieved (as opposed to activities to be conducted).
- Neither the timing nor the amount of the promise is clearly determinable in advance of the payment.
- The promise has an explicit matching requirement.
- The promise includes a requirement that amounts not expended by a certain date must be returned to the donor.

### *Example 2 - Conditional promise to give—earnings threshold*

Michael Richards, a recording artist, promises to donate to the Multiple Sclerosis Society all royalties over \$100,000 from his next CD. The promise represents a conditional promise since the CD must generate more than \$100,000 in royalties before the Society will receive any contributions. If the CD does not gross over \$100,000 in royalties, the artist is released from his obligation to donate to the Society.

### *Example 3 - Conditional promise to give—matching contributions*

Jennifer Thompson promised the Metropolitan Opera that she would match contributions on a dollar-for-dollar basis during the months of July, August, and September of this year, provided that the contributions received for the months exceeded \$100,000. Her promise represents a conditional promise. If contributions for

the months of July, August, and September were \$78,000, Jennifer has no obligation to the Metropolitan Opera.

## INDICATIONS OF INTENTIONS TO GIVE

Although not always conclusive, the following represent a few factors that *may* indicate an organization has received an intention to give rather than a promise to give:

- The written communication uses words such as “intend,” “plan,” “may,” “hope,” or “if expected.”
- There is no written evidence or the written evidence is unclear. (A promise to give may be oral if other evidence is available to verify the promise. However, if a donor refuses to put his or her communication in writing, the donor may not view it as a valid promise.)
- Payments were due and no partial payments have been made.
- The amount is not clear or not readily computable.
- The amount is sizable, but the organization has not publicly announced the donation or taken action to rely upon it.

## INFORMATION TO BE USED FOR BUDGETARY PURPOSES ONLY

Solicitations that include wording such as “information to be used for budget purposes only” or that allow donors to rescind their communications are clearly intentions to give. Because intentions to give are not recognized as contributions, some organizations have changed the wording of their solicitations to provide potential donors the opportunity to express intentions rather than promises. Doing so allows the organizations to defer recognizing donor communications until a future period in which they either become unconditional promises or the cash is received. Organizations should realize, however, that changing the wording on solicitations to allow donors the ability to express an intention to give rather than a promise to give may have a negative impact on the total amount eventually received by the organization since the donors might not feel as committed to an intention to give as to a promise to give. Some organizations may want to have intentions to give for regular operating or budget purposes and promises to give for capital campaigns. Similarly, some foundations and other organizations that commonly make multiyear grant commitments have changed the wording of funding agreements to avoid recognizing the total contribution expense for all years at one time.

*Example 4 - Intention versus promise to give*

The Safe Place's solicitation states the following:

“To help prevent violence and victimization of children in our community, we intend to give the Safe Place \$xxx to support its next year’s activities. (This is an estimate for budgetary purposes only.)”

Donor responses to that solicitation would represent intentions to give, rather than promises to give. However, if the Safe Place changed the wording of its solicitation to the following, donor responses would constitute unconditional promises to give:

“To help prevent violence and victimization of children in our community, we agree to give the Safe Place \$ xxx to support its next year’s activities.”

In that second example, the unconditional promise would be recognized as a temporarily restricted contribution to reflect the donor-imposed time restriction for the subsequent year's operating activities.

*Example 5 - Intention to give*

Big Bucks Foundation has awarded a three-year grant of \$250,000 per year to the Middle America Symphony. The award notification states:

“The Big Bucks Foundation agrees to award Middle America Symphony \$250,000 per year during 2012, 2013, and 2014. The Big Bucks Foundation reserves the right to rescind this award at any time and this award is not legally binding. Although The Big Bucks Foundation intends to honor this award, Middle America Symphony should consider this award notification for budgetary purposes only.”

The notification in this example would be an intention to give since the donor retains the right to rescind the award.