

Understand the Complexities of Pledges
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A pledge is an obligation by a donor to a donee.

According to John Taylor, principal, Advancement Solutions (Decatur, GA), “The pledge must meet the criteria for contributions in the form of ‘unconditional promises to give’ as outlined by the Financial Accounting Standards Board (FASB), which first established the standard. The Government Accounting Standards Board (GASB) has followed with similar criteria.”

Taylor says a recordable, enforceable pledge or promise to give “may only be made by the donor assuming liability and responsibility for satisfaction of that commitment. The pledge maker has no authority to so obligate another entity over whom they have no legal or financial control. They assume full and total responsibility for satisfaction of the obligation.

“So an entity may make a binding pledge, or promise to give, only if they are willing to assume full personal responsibility and liability for the entire amount.”

Does that mean another entity cannot assist the maker of the pledge or promise towards satisfaction of that commitment?

“Clearly, it isn’t legally possible for certain categories of foundations or charities, including donor-advised funds, to satisfy another entity’s pledge or promise to give, or otherwise link their gifts to a personal pledge.

“There are instances, however, where someone other than the pledgor can make a payment toward another pledgor’s obligation. A common example is a spouse. However, given some of the potential tax issues revolving around these situations, it’s always best to have it stated clearly in writing by the payer that the payment may indeed be applied to that other donor’s pledge.”

So then, says Taylor, the question becomes, “How can I record a pledge on an individual’s record when we and they know payments are going to come in from either a donor-advised fund or matching gifts? As long as the pledge document clearly states the individual is legally responsible for the entire pledge, you can record the full amount. Then you can give the individual soft-credit for the gift and manually reduce the pledge balance by a like amount, thus netting them the same amount of recognition credit.”

Taylor emphasizes that donors may not know these rules and points out it is the development officer’s job to educate them.