TRINITY
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Capital Project Pledge Funding Guidelines

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Policy Content

1 **The University will count promises receivable (pledges) as funding for capital projects under the following general guidelines. The Administration will formalize specific rules for each project in conjunction with its planning and approval process.**

Pledge Requirements

1. The pledge must be in written form, signed by the donor (physically or electronically) and include, at a minimum, the total dollar amount of the pledge, the payment terms (amount and timing of payments) and a statement regarding restriction on the use of funds. In the absence of explicit donor restriction the pledge will be considered unrestricted in its use in accordance with Generally Accepted Accounting Principles (GAAP).

2. The pledge must be unconditional or, in the case of a conditional pledge, the likelihood of failing to fulfill the condition must be considered remote. An unconditional pledge is a pledge whereby the receipt of the funds by the University is not dependent upon a future and uncertain event. In contrast, a conditional pledge is not an enforceable promise to give unless a specified future and uncertain event occurs. The most common form of conditional pledge is a matching pledge, whereby a promise to give depends upon a certain dollar amount of other gifts or pledges being raised. A conditional pledge may be counted for project funding once the likelihood of failure to meet the condition is considered “remote”, as defined in GAAP (remote is generally considered to be less than 5% chance of occurrence).

3. The pledge term generally will not exceed five years from the date of the pledge. The maximum term should be adjusted for each project based on the nature of the project and its budget size. Smaller projects, for example, might be more appropriately limited to a three-year maximum term.

4. An oral pledge is considered to be an intention to give, rather than a promise to give, and is thus not considered a pledge for this purpose and will not be counted for project funding.

Funding On-Hand before Awarding Construction Contracts

The funding plan for a project will identify sources of funds, such as gifts (cash and pledges), internal funding, debt financing, etc. in the project budget. If a project budget includes funding from gifts/pledges, the University will have committed gifts and pledges equal to or exceeding the required budget amount and generally at least 40% (2/5ths of pledge payments for five year terms) of gifts and pledges realized (i.e. received cash, stock or other transfer of assets) prior to awarding construction contracts or publishing a notice of intent to award a contract on the project. The actual percentage of gifts and pledges paid before awarding contracts or issuing a notice of intent to award a contract may be adjusted upward or downward by the Administration in consultation with the Finance and Property Committee during the initial project planning and budgeting based on the nature and scope of the project.

Interim Financing for Pledges Receivable

Interest expense will be charged to the construction project for interim funding of pledges receivable. Accordingly, the project budget will include the cost of financing as a project expense. The Administration will review options available for funding pledges receivable and include a recommendation for the financing method with the project plan and budget. Examples of interim financing options include:

- Borrowing from an existing quasi-endowment fund
- Borrowing from the University's operating pool
- Issuing commercial paper
- Issuance of tax exempt bonds
- Private placement notes
- Commercial bank financing

Collectability of Pledges Receivable

With any portfolio of pledges receivable, consideration should be given to the possibility that one or more of the pledges will not be paid in full. The Administration will provide contingency planning to cover the full unpaid amount of pledges outstanding in its annual capital budget. For example, as noted above, if ground is broken on a project with 40% of pledges paid, the Administration will identify contingency planning for the 60% of pledges receivable outstanding in its annual capital budget planning (i.e. covering from unrestricted reserves, potentially delaying other projects, etc.) in order to fully cover the remaining pledge balance outstanding. This conservative approach of contingency planning is appropriate in assisting the Administration and Board of Trustees in risk management by placing the magnitude and nature of a proposed project in context with other demands on limited resources.

Revision Management

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