



Bayan Revenue Recognition Policy for Pledges

Intentions to Give Vs. Promises to Give

Intentions to give are not the same as promises or pledges to give. An intention to give is simply a donor expression of interest in contributing to Bayan or indicating they *may* plan to do so in the future.

What is an intention to give?

An intention to give is non-binding and typically nothing more than a donor stating their plan to give to Bayan. This differs from a donor pledging or making a promise to actually give. An intention to give is typically not documented in writing and even if in writing typically includes the words, “intend,” “may,” “hope,” or “plan.” An intention to give may use more certain language but if it does not have a definite timeframe to give it would still be considered an intention to give. Essentially, anything that lacks certainty is an intention to give. As such, an intention to give is not the same as a pledge or promise to give and cannot be booked as revenue on Bayan’s financial statement.

What is a pledge?

A pledge is a binding commitment or promise to donate a specific amount of money or assets to Bayan on a specific date or over certain period, potentially in installments. A pledge is usually documented with a Pledge or Gift Agreement that identifies the donor, as well as the payment terms, the timing of payments, any consideration provided by Bayan (such as recognition, naming rights), and any restrictions by the donor on Bayan’s use of funds. While pledges should be documented via a written agreement, in certain cases, a verbal agreement might be acceptable – especially if the pledge is to be fulfilled over a shorter period or we have experience with a donor. A written agreement is preferred whenever possible as the documentation is necessary from auditing standpoint.

How do we account for pledges?

The accounting for a pledge depends upon the conditions attached to it. The variations are noted below.

Unconditional Pledge

When a donor makes a pledge without restrictions or conditions as it relates to receiving the donation tied to the pledge, Bayan will generally record the pledge as revenue and a pledge receivable.

Conditional Pledge

When a donor makes a pledge, but the pledge is only fulfilled when a certain condition is met, it is not recorded as revenue. Instead, the pledge will be booked as revenue and an account receivable.

If the probability that a condition will not be fulfilled is remote, the pledge can be treated as an unconditional pledge.

When cannot we record a pledge?

When in a pledge is in doubt or lacks certainty, we will generally not record the pledge as revenue, until there is a resolution to any uncertainty.



Recording the Present Value of a Pledge

If a pledge is to be fulfilled in a period that exceeds one (1) year, is unconditional, and there is a Gift or Pledge Agreement in place, Bayan will recognize the present value of the entire pledge at the time the pledge is made. Present value is the current worth of the cash to be received in the future with one or more payments associated with a pledge, which has been discounted rate. The present value requirement is subject to the following variations:

If the funds are to be received within one year, Bayan will generally recognize the entire amount of the pledge as revenue, rather than just its present value.