University of Florida Foundation, Inc.
Allowance for Doubtful Accounts

Policy #: 5.18
Effective Date: October 6, 2012
Responsible Department: Finance and Accounting

1. PURPOSE

To ensure correct accounting for allowance for doubtful accounts.

2. APPLICABILITY

Pledges receivable and mortgages and notes receivable of UFF.

3. POLICY

Pledges receivable:

Unconditional promises to give that are expected to be collected within one year are to be recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are to be recorded at the present value of their estimated future cash flows. Discounts on those amounts are to be computed using the risk adjusted discount rate for the month the pledge was initially recognized. Amortization of the discounts is to be included in contribution revenue.

The allowance for doubtful accounts is calculated using a combination of the income statement approach and the balance sheet approach for recognizing bad debt expense. The income statement approach will be used to recognize 12.5% of net new pledges, on an undiscounted basis, each fiscal year as bad debt expense. Additionally, a collared balance sheet approach will be employed to ensure the allowance for doubtful accounts does not fall outside a collar of our historical write-offs. The bounds of the collar employed are the historical write-off percentage less 0.5% to plus 2%.

Mortgages and notes receivable:

Mortgages and notes receivable are to be stated in the financial statements at the amount management expects to collect from outstanding balances. Management will have a provision for probable uncollectible amounts through a charge to bad debt expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are considered uncollectible after Management has used reasonable collection efforts are to be written off through a charge to the valuation allowance and a credit to mortgages and notes receivable.
4. **CLARIFICATION**

Requests for clarification of this policy should be sent to the Controller (awest@uff.ufl.edu) or Associate Controller (rsettle@uff.ufl.edu).

Certified as approved by the Executive Committee of the UFF Board of Directors on October 6, 2012.

[Signature]

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Susan G. Goffman, Secretary

Revision history: Original version
Revised October 6, 2012