



Donor Relations:

Acknowledgment and Recognition

By Michael J. Brown

Donor relations is the process of managing constituent donors to ensure they have high-quality experiences with your organization. The end goal is to create enduring attachments between donors and nonprofit organizations. Generally, this is a cyclical four-step process including:

1. Gift Acceptance
2. Gift Acknowledgement
3. Donor Recognition
4. Gift Impact Reporting

This section is going to focus on the two steps where most nonprofits have the biggest opportunity for improvement: Gift Acknowledgement and Donor Recognition. Gaining a firm grasp on these two steps will provide a significant opportunity to increase donor retention. A common industry rule of thumb is that 60% of first year donors will stop donating without ever having given a second gift to the nonprofit organization that acquired them. With the high cost of acquiring new donors, and the importance of retaining them to ensure the pipeline of supporters remains healthy, anything done to increase retention will reap huge benefits for your organization.

Gift Acceptance

The gift acceptance stage focuses on managing the policies and procedures needed to prepare the organization to systematically accept gifts while assuring they are utilized exactly as donors intend. Having flawlessly completed step one of this process, we are ready to deal with the next step in the process.

Gift Acknowledgement

The second step is to properly acknowledge receipt of the gift in a timely manner, but what is timely? As a best practice, most nonprofit organizations aim to receipt within 48 hours of receiving a gift. A quick example shows why this is so important. Suppose the donor mails a donation on Friday. That means the receiving organization is likely to receive the donation on Monday. Even if holding to best practices, the acknowledgement receipt is mailed on Wednesday. The donor will then receive your acknowledgement of receiving the gift about a week after actually having made the gift.

The gift acknowledgement step is the first stage in the process during which many nonprofits begin to stumble. One objective of acknowledgment is receipting so that donors know their gift has been received. Another important objective in systematically executing the receipting process is to provide an accurate tax record for the donor, your organization, and the Internal Revenue Service. The receipting process deserves an increased level of focus to ensure that reporting is done in exact accordance with IRS regulations. Not doing so places your donors at risk of IRS penalties and being denied the ability to recognize their contribution as a tax-deductible donation. Any misstep in this area jeopardizes the health and longevity of your relationship with your supporters. At a minimum, be sure to include language like the following:

“Thank you for your generous contribution of \$_____ to The Happy Foundation (EIN# 12-3456789) on July 15, 2014.

The Happy Foundation is a nonprofit organization. Your contribution is tax-deductible to the extent allowed by law. No goods or services were provided in exchange for your generous contribution.”

Including each element of the above statements has become increasingly important. The IRS retroactively ruled, and the courts upheld, that a Texas couple was disallowed to claim their \$25,000 charitable gift to their church on their tax filing from 2007. The reason was that not all of the required language listed above was on the receipting letter issued by the church. And although the couple did request the revised paperwork from their church, the court unfortunately upheld both the initial IRS ruling plus a retroactive accuracy-related \$1,500 penalty that the IRS assessed the donors in addition to revoking the 2007 deduction initially claimed (White). Also note that for any item(s) a donor valued at \$5,000 or more, the donor must have a third party valuation done prior to the contribution made. Unfortunately, a donor found that out in another painful IRS ruling.

A separate set of work is necessary anytime a donor receives value as a quid-pro-quo for making the donation. In other words, if the cost of an auction ticket includes a dinner provided by the nonprofit, the market value of the dinner must be subtracted from the ticket price when filing taxes. Similarly, if a donor pays \$500 for a vacation package as a fundraiser, the fair market value of the trip must be subtracted from the contributed amount. In such circumstances, include the following wording when receipting:

“Thank you for your generous contribution of \$_____ to The Happy Foundation (EIN# 12-3456789) on July 15, 2014. As a token of our appreciation, we have provided you this item: a plated dinner at our annual auction. We estimate the fair market value of this item to be \$30.00.

The Happy Foundation is grateful for your support and is a nonprofit organization. Your contribution, less estimated fair market value, is tax-deductible to the extent allowed by law.”

In addition to the mandatory IRS verbiage shared above, the gift receipting process may also include additional touches such as emails, phone calls, personal visits, and other personalized written notes. It must, however, include the mandatory IRS language.

Donor Recognition

Although acknowledgement is always a private exchange between the donor and the nonprofit, donor recognition tends to be more public, unless the donor prefers anonymity. From the nonprofit organization's standpoint, the key objective of the recognition phase is to affirm the donor's giving and to encourage prospective donors through the recognition and affirmation of the donor's giving. In recognizing the sacrificial efforts of our donors, we must be cognizant that individuals demonstrate their interest in and loyalty for the organization in different ways. Some people with great means choose to make large single or infrequent gifts. Often, people with lesser means show the same degree of interest and loyalty to the organization by making a series of smaller gifts. Neither the size nor the frequency of the gifts should be the focus of a good donor recognition effort. It is the sacrificial nature of the giver that we seek to recognize. This recognition is often publically celebrated in order to spur on giving in others. Be creative in celebrating and respecting the sacrificial giving of your highly diverse group of supporters.

Recognition comes in a variety of forms. Some of the most common forms of recognition include being listed in: printed newsletters, e-newsletters, pamphlets, brochures, websites, giving trees, and donor walls. Plaques and other personal engraved mementos are also frequently chosen options to commemorate the donation during the acknowledgment step.

Recognition Letters

No matter what additional vehicles are chosen, you will usually include a letter as part of each donor recognition effort. Letters are a highly effective way of sending targeted donor communications. Not only can their production be easily automated, their content can be easily personalized, no matter how large or small the print run may be. Here are several things to consider as you craft your letter:

- Reaffirm the purpose of the gift and the cause being addressed in the body of the letter.
- Include quotations or stories that highlight how the gift impacted people's lives.
- The letter signer should be the staff member with the closest relationship to the donor.
- Recognize online gifts via email and all others by postal mail.

Donor Clubs

Many donors appreciate being recognized as part of a group of fellow believers that loyally supports your organization. Such groups are often called clubs, societies, circles, or by similar sort of name. Dependent upon the culture of the organization, such a framework may or may not be valuable within the context of a capital campaign. From the donor's perspective, the key benefit is that clubs allow donors to feel an affiliation with a broader community of donors that are similarly passionate for a cause. From the nonprofit's perspective, clubs allow the organization to plan and manage the donor communication for a small group of donors that are equally invested in the organization's success. Doing so helps the nonprofit to efficiently manage the donor experience while still allowing for individualized care and attention.



Many people will feel it is a privilege to be invited to join a select group of people whose financial commitment matches their own. Usually, your most committed donors expect and appreciate a deeper level of information about the organization, its mission, its vision, and its outcomes. If an organization is not prepared to consistently offer such deeper donor experiences to its most invested donors, then creating and managing a donor club program will be of little benefit. Nevertheless, there will always be an expectation of increased access to information and an increased sense of organizational engagement with donors that are highly invested in the nonprofit financially. With or without a club program, your organization will still need to meet those donors' expectations and carefully reaffirm each of their investment decisions.

Naming Opportunities

When this form of recognition occurs, it is most frequently found in the context of a capital campaign. The building of or an addition onto an academy is an excellent example. Frequently, the cost of the project is equal to the sum of all individual naming projects combined. For instance, a single building, say a high school building, could be offered as a naming opportunity while fundraising. Naming of a space within a space, such as offering a naming opportunity for a science lab within the high school building, is also a common practice.

Other common naming opportunities are nameplates on outside benches, memorial bricks, social media pages, and the list goes on. When naming opportunities are used in donor recognition, they provide your donors the opportunity to memorialize their sacrificial gift for the long term. It is both a public recognition and the tangible creation of a legacy that heralds the donor's deep connection to the organization and even deeper commitment to the cause.

Due to its relatively permanent nature, this type of recognition program should be very carefully considered. Here are just a few questions to consider:

- Will our naming policy allow only posthumous recognition?
- Will our naming policy disallow naming rights to businesses within certain industries?
- Will our naming policy standardize the wording for each type of opportunity available?
- Will our naming policy require committee review and approval prior to executing rights?
- Does our naming policy make provision for the retention or dissolution of naming rights?
- Does our naming policy clearly specify the mechanics of each naming opportunity?
- Does our naming policy handle naming opportunities for pledged vs. fulfilled donations?
- How does our naming policy ensure rights are proportionate to level of sacrificial gift?

- How does our naming policy handle changes in joint naming when life circumstances change joint names?
- How does our naming policy ensure rights are executed in a visually pleasing, nonintrusive, tasteful way?

These and many more questions need to be addressed within a comprehensive naming policy. Naming opportunities can be as simple or exhaustive as desired. Done tastefully, naming opportunities can be applied to the addition of classrooms, offices, entire floors, dining areas, prayer gardens, gazebos, and so on. The crucial question is whether naming opportunities are right for your organization.

The Spirit of Donor Recognition

Recognition can be a tricky subject. Even as children, we were all taught to say “please” and “thank you.” At first, we simply uttered the words. As we matured, we punctuated our spoken words with smiles, hugs, hand-written notes, small thank you gifts, and so on. The more the relationship matured and strengthened, the more tangibly we often expressed our thanks. The real value of such tangible expressions of thanks is that they are important gestures that signal and reinforce our depth of gratitude and sincere appreciation for the individual we are honoring. The entire process is about meaningfully honoring the giver, not the gift. The same is true in philanthropic endeavors, so the spirit with which we honor individuals is critically important. If everyone involved in your cause does not consistently feel valued and appreciated, your organization has a very important issue that must be addressed. We must fully appreciate that the meaningfulness of our “thank you” is driven by the preference of each individual being thanked. There is no one-size-fits-all solution for recognition because we are honoring the unique sacrifice of an individual person.

White, Richard. “IRS Crackdown on Tax Deductions Puts Focus on Gift Records.” *Chronicle of Philanthropy*, 2 Dec. 2012.

